



Integrated Annual Report *2020*

CORONATION

TRUST IS EARNED™

2020

98% of rand-denominated retail assets in top quintile of peer groups since inception
Institutional Balanced portfolios rank 1st over 5-, 10-, 20-years and since inception
Coronation top private-sector payroll contributor to Solidarity Fund
Level 2 B-BBEE contributor

- AUM R569 billion
- Global employee complement: 339
- Employee ownership: 25%

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

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 2015 (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%

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%

2009

Reopened Absolute Return unit trust 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

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 Eswatini

- 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

The Integrated Annual Report for the financial year ended 30 September 2020 describes the investment performance of Coronation Fund Managers Ltd and its wholly owned subsidiaries (Coronation; or the Company; or the Group) and how we create long-term value for our 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 (Companies Act), and the Listings Requirements of the JSE Limited (JSE) (JSE Listings Requirements). 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.

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. This, year we have added natural capital and our first operational carbon footprint as we increase our focus on monitoring and mitigating the environmental impact of our business operations.

- Our value creation process
(→ [page 28](#))
- Sustainable investing
(→ [page 17](#))
- Corporate citizenship
(→ [page 20](#))
- Environmental Impact
(→ [page 22](#))
- Human capital
(→ [page 49](#))
- Social and relationship capital
(→ [page 43](#))
- Financial performance
(→ [page 95](#))

DIRECTORS' APPROVAL

The Board of Directors (Board) 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 2020.

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 95](#)). 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.

All information is reported for the year ended 30 September 2020, unless otherwise indicated.

Shams Pather

Anton Pillay

Alexandra Watson

Hugo Nelson

Jock McKenzie

Judith February

Lulama Boyce

Madichaba Nhlumayo

Mary-Anne Musekiwa

Phakamani Hadebe

Neil Brown

Saks Ntombela



Our business

We have been growing long-term wealth for our institutional and personal investment clients for 27 years. As a committed corporate citizen, we have also been active in the transformation of the financial services sector and South African society, 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.

The purpose of our business is to deliver investment excellence to our clients and stakeholders. This is underpinned by five strategic pillars, namely: excellent long-term performance, building a leading global investment capability, 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 ways in which we invest and 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 (CSI) projects.

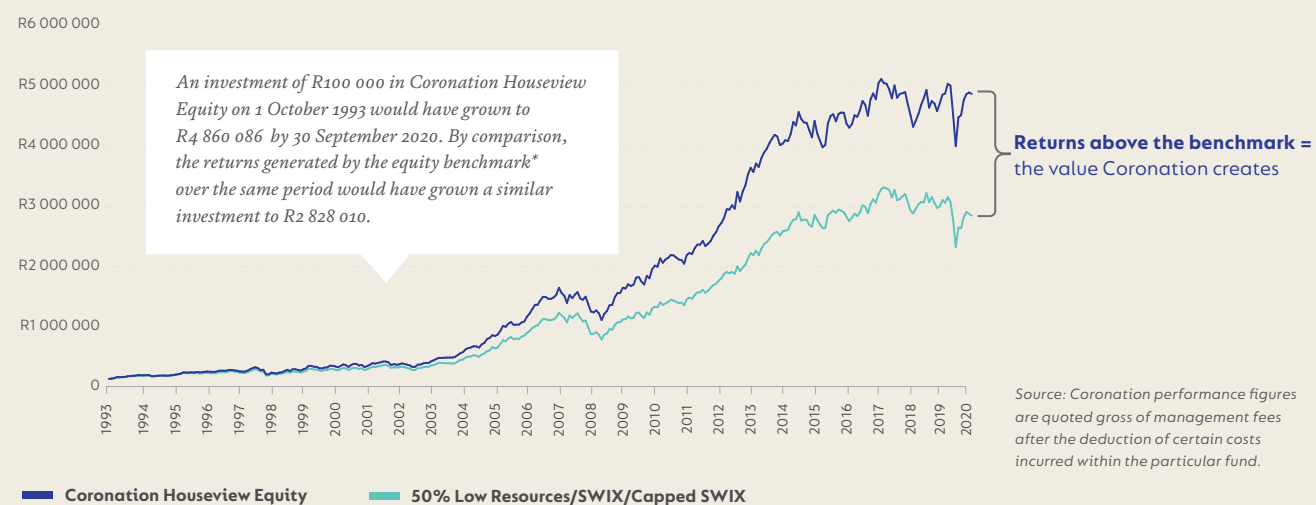
STRONG LONG-TERM INVESTMENT OUTPERFORMANCE

Our ability to deliver attractive and sustainable financial outcomes for clients is evidenced by long-term performance across our fund range, which remains compelling. Of our institutional portfolios, 95% have outperformed their benchmarks since inception¹.

VALUE CREATED BY
OUR HOUSEVIEW
EQUITY STRATEGY

72%

more than the benchmark
since inception



¹ As at 30 September 2020; 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.

57%
black
employees

49%
female
employees

78%
of our Board
of Directors
are black

>R225bn
of total AUM managed
by black investment
professionals

Transformation figures refer to South African-based employees, as at 30 September 2020.

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

R340m

in brokerage to black
stockbrokers through
the Coronation
Business Support
Programme

Over the past decade,
we have funded
and trained

148

black IFA businesses
through the ASISA IFA
Development Programme

29

analysts through the
Vunani Securities
Training Academy

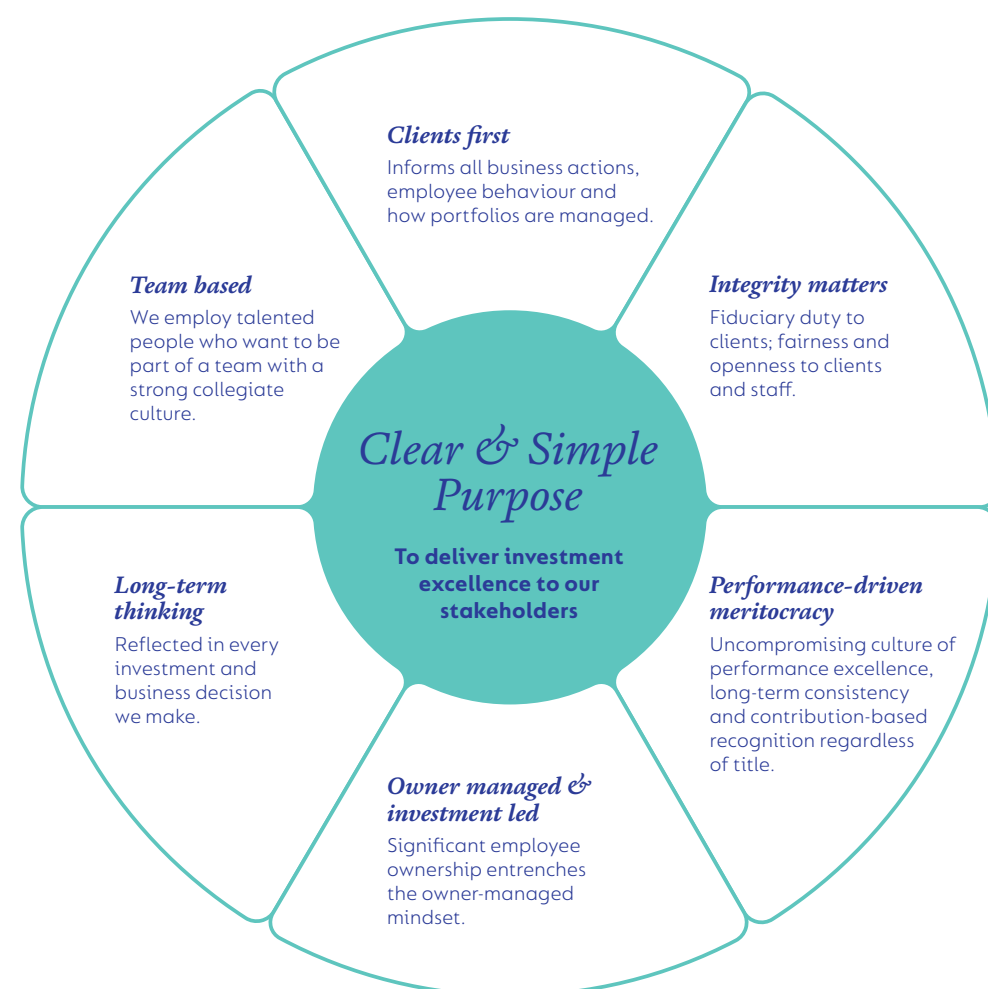
* As measured by the revised Financial Sector Code.

All figures are as at 30 September 2020, unless otherwise stated.



Our culture and values

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 19](#)).

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 71](#)).

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 49](#)).

Ownership

Our business is 25% employee owned. We believe that asset management companies should be owner managed. Ownership aligns employees' interests with those of all other stakeholders, 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 2025 ([→ refer to page 86](#)).

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 49](#)).



2020 at a glance

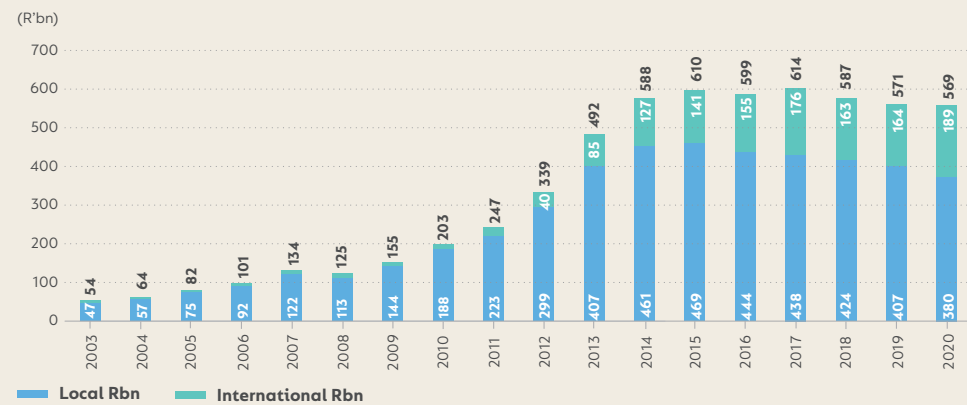
DILUTED
HEADLINE EARNINGS
PER SHARE

398.5c

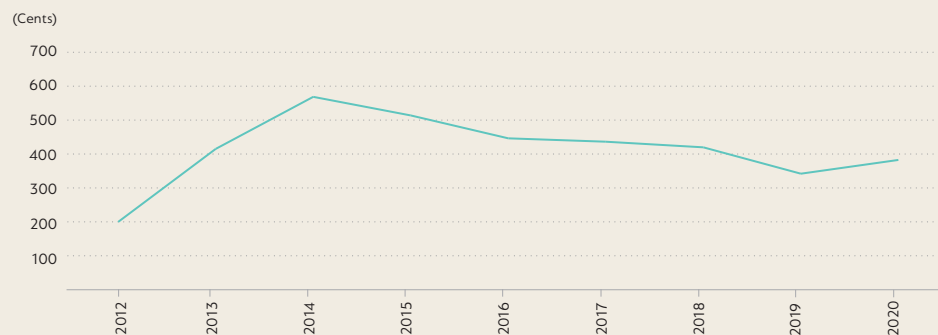
COST-TO-INCOME RATIO

53.7%

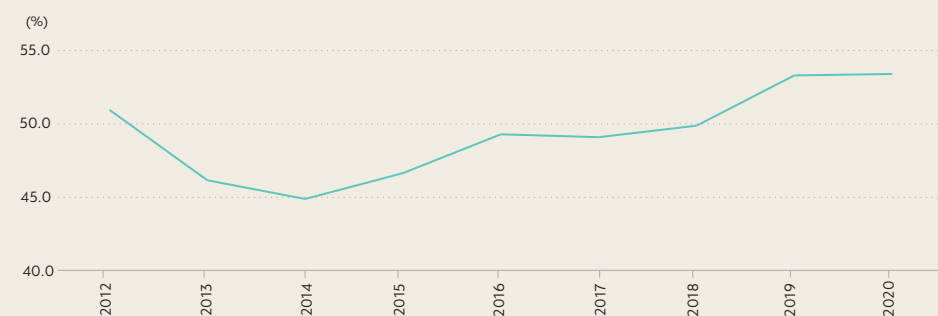
ASSETS UNDER MANAGEMENT



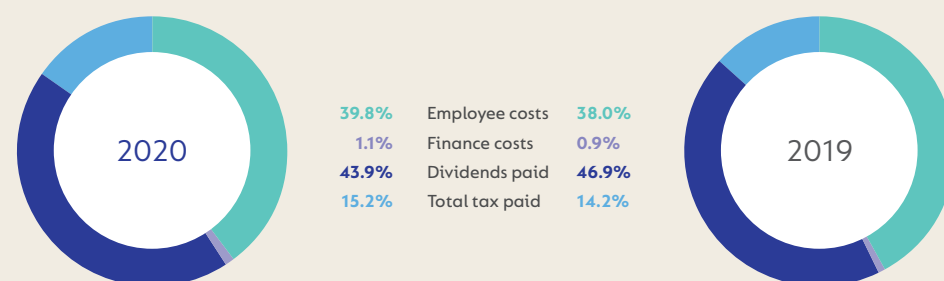
DILUTED HEADLINE EARNINGS PER SHARE



COST-TO-INCOME RATIO



VALUE ALLOCATION TO STAKEHOLDERS



WE INVEST

R251bn

on behalf of South African
institutional clients

WE INVEST

R79bn

on behalf of international
retirement funds, endowments
and family offices

WE INVEST

R239bn

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

INSTITUTIONAL BUSINESS

Our institutional business manages R330 billion of assets (September 2019: R331 billion) on behalf of South African and global institutions.

South African Institutional Business

We continue to manage a meaningful share of assets in the local retirement fund industry, representing a total AUM of R251 billion (September 2019: R265 billion), making us one of the largest independent managers of retirement assets in the country. Net outflows were in line with our estimate of those experienced by the South African asset management industry, which we believe is a good outcome given the current economic challenges facing the savings industry. We expect outflows to continue to be impacted by ongoing shrinkage in the local savings pool, which is exacerbated by financially distressed employers having to retrench employees or reduce their remuneration. Over the short term, contributions will also be affected by the reprieve from retirement fund contributions. From a performance perspective, we are pleased to see strong long-term returns generated across all our client portfolios and our ability to add value via active management is evident in:

- ▶ Clients representing more than 50% of our total institutional assets have been invested with Coronation for more than 10 years.
 - › Of these client assets, 95% have outperformed their benchmarks since inception.¹
- ▶ 97% of our institutional portfolios with 15-year and 20-year track records have delivered positive active returns over that period.

¹ On an asset-weighted basis.

Global Institutional Business

We manage a total of R79 billion (September 2019: R66 billion) in our global strategies on behalf of several leading international retirement funds, endowments and family offices. For the reporting period, net outflows were marginal. Following very strong performance in the 2019 calendar year, we have experienced inflows into the Global Emerging Markets Strategy, as clients seek to take advantage of the potential upside inherent in the current market volatility.

- ▶ Coronation Global Emerging Markets Strategy has delivered an active return of 4.4% p.a. since its inception in 2008.
- ▶ Coronation Africa Frontiers Strategy has delivered an active return of 4.4% p.a. since its inception in 2008.

All institutional performance returns are stated gross of fees.

RETAIL BUSINESS

With retail assets totalling R239 billion (September 2019: R240 billion), we are a leading independent manager of South Africa's household savings and investments. AUM recovered strongly in the second half of the financial year and our retail fund range delivered good relative performance over this period. We experienced net outflows of 5.6% of our opening balance (September 2019: 5.4%). Net client cash flows from longer-term funds were broadly in line with the retail investment industry experience, but while we achieved net inflows into our managed income and near-cash solutions, the level of inflows in this category lagged the overall industry experience. We expect net client cash flows to remain under pressure given the growth constraints faced by the South African economy, coupled with household financial stress and a general lack of domestic investor confidence. Despite a challenging environment, the long-term track records of our fund range remain compelling. Of our rand-denominated unit trust funds, 16 out of 23 rank first in their respective ASISA categories since their inception dates. This includes:

- ▶ Coronation Balanced Plus, a leading traditional balanced fund in South Africa, outperforming peers, inflation and the FTSE/JSE All Share Index since its inception in 1996;
- ▶ Coronation Top 20, our concentrated domestic equity fund, delivering an annualised return of 16.2% since inception in 2000. This resulted in a total period return of double the domestic index for an investment made at inception;
- ▶ Coronation Optimum Growth, the top-performing fund in the worldwide flexible category, returning 14.8% p.a. since its inception in 1999; and
- ▶ 86% of our unit trust funds, on an asset-weighted basis, producing first quintile performance in their respective ASISA categories over the past 10 years.



Chairman's statement

SHAMS PATHER

BBUSC, BCOM (HONS), MBA



“Coronation has continued to deliver on its investment mandates and to play its part as an active corporate citizen.”

Having been immersed in the South African business community for the full extent of my working life, the past year has been among the most extraordinary. Since Coronation first opened its doors in 1993, South Africa has successfully transitioned to a free and fair democracy, weathered global financial storms, the HIV/AIDS crisis, corruption scandals and State capture. However, never before has there been a conflux of a health and an economic crisis that has affected every economy and sector of society across the world.

Indeed, Covid-19 has reshaped the socio-economic narrative of some of the most powerful nations on earth, catalysing unparalleled fiscal stimulus and monetary easing, political schisms and protest action.

Through this crisis, as one of the largest independent asset managers in the country and custodian of the long-term savings of millions of ordinary South Africans and a portfolio of international clients, Coronation has remained fully operational in service of our clients and stakeholders. By retaining a sharp focus on our key strategic objectives and the application of our valuation-based investment philosophy, the Coronation team has continued to navigate the escalating market

uncertainties to deliver on its investment mandates and to play its part as an active corporate citizen.

The local economic environment

The key headwinds to growth that challenged South Africa in 2019 persist, namely stagnant/declining tax revenue growth, unproductive expenditure, corruption and the lack of firm policy intervention. The country was downgraded three times in the first half of 2020 by the various ratings agencies, with S&P finally reducing South Africa to junk status in April, as the economic lockdown began to weigh on the already anaemic growth forecast.

As businesses closed their doors, household income stress escalated and unemployment continued to climb, with Covid-19 related job losses estimated to be in the region of two million and rising. While government moved swiftly to contain the virus, it simultaneously implemented access to relief funds by deploying the UIF savings pool and establishing the Solidarity Fund. The South African Reserve Bank implemented three rate cuts totalling 275 basis points. Regretfully, corruption seeped into relief efforts, with personal protective equipment (PPE) tender fraud and missing funds headlining almost immediately.

“It has been heartening to see how civil society and the private sector have rallied to support relief efforts.”

In his October Medium-Term Budget Policy Statement, Minister Tito Mboweni confirmed the deteriorating conditions, exacerbated by falling investor confidence and the debt burden that government has taken on in an attempt to save the economy from collapse as a result of Covid-19.

However, the Minister reaffirmed National Treasury's commitment to take firm action to establish fiscal security, and there are positive indications that public and private sector cooperation is in place in this regard, but how this plays out remains to be seen and the execution risks remain high. As before, it is clear that immediate and decisive action is required to stimulate growth. There is simply no more time to lose.

The global economic environment

The economic damage and fiscal cost of the first wave of Covid-19 are still unknown, and the second wave of infections in a number of countries is preventing a return to 'normal', with economic activity slowing again.

Early signs of an economic rebound in the second half of 2020 were relatively good, but momentum has started fading, raising the risk of a Q4-20 'double whammy', with growth faltering as containment strategies intensify.

In October, the IMF confirmed that Covid-19 has caused a global recession that is projected to result in a 4.4% contraction in growth. The flooding of developed markets by central bank monetary easing and enormous fiscal stimulus programmes will aid recovery, albeit likely disjointed and anaemic.

Globally, geopolitical tensions will continue to weigh as the trade stand-off between the US and China continues to play out, although the recent Biden win in the US election could see a slight easing. Brexit will also impact the UK economy and investor sentiment.

Broad uncertainties abound as second waves of Covid-19 infections are sweeping through the northern hemisphere, and lockdowns are re-instated. The full impact of the pandemic will only be known in the fullness of time. At a time when we need it most, the development of vaccines provides a ray of hope.

Governance and compliance

Governance continues to be an important aspect of running our business. A key aspect is establishing a diverse Board with a solid succession plan in place. To this end, we have appointed three new independent non-executive directors and it is my pleasure to welcome Neil Brown, Phakamani Hadebe and Saks Ntombela to the Coronation Board, effective 19 October 2020.

Given the spotlight that has been shone on audit firm independence around the world, and in accordance with what the investment teams encourage in investee companies, Coronation is an early adopter of mandatory audit firm rotation. Following a rigorous tender process, we have recommended KPMG Incorporated (KPMG) for appointment as Coronation's external audit firm as of the 2021 reporting year. Both the director and audit firm appointments are subject to shareholder approval at the February 2021 annual general meeting.

As the global focus on ESG² issues intensifies and in line with what we require of our investee companies and the various voluntary codes to which we are signatory, we have conducted our first carbon footprint assessment, a summary of which is on pages 21 to 23 of this report.

Active corporate citizenship

Coronation continues to play its part as an active corporate citizen, both in our efforts to build a strong and transformed financial services industry and to support the communities in which we operate.

The Coronation Board is extremely proud of the management team and all employees for how deftly and seamlessly the business transitioned to comply with the offsite working conditions necessitated by lockdown regulations. In addition, over and above business-as-usual CSI activities, Coronation played a strong role in Covid-19 relief efforts, with our employees being the lead corporate payroll contributors to the Solidarity Fund.



Chief Executive Officer's review

It has been heartening, in the depth of the recent crisis, to see how civil society and the private sector have rallied to support government and NGO relief efforts. I believe that this inherent spirit of cooperation and compassion that South Africans habitually display during hard times will play a vital role in the recovery of our country.

As at 30 September 2020, we are a Level 2 contributor to broad-based black economic empowerment as per the Financial Sector Code, and our employee complement demonstrates our commitment to transforming from within (→ *refer to page 50*). We continue to support black enterprise development through financial support and training commitments; as well as pipeline talent development through our bursary and internship programmes (→ *refer to page 44*).

To conclude

It has been a privilege to continue to operate at full capacity during the economic lockdown and to retain our full employee complement. Looking ahead, we will continue to focus on delivering on our strategic objectives, which have assisted the business in navigating through many uncertainties in the almost three decades since its inception.

A note of gratitude

We are grateful to our clients for their ongoing trust and business. I would also like to extend my thanks to my fellow Board members and the management team for their skilful management of the Covid-19 operating environment over and above delivering on their annual strategic and operational goals. The Board also commends all Coronation employees for enacting a strong sense of ownership in what has been a personally and professionally demanding environment.

“We are grateful to our clients for their ongoing trust and business.”

ANTON PILLAY

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



“The scale of the economic humanitarian crisis outweighs that of the health crisis.”

2020 will always be remembered as the year in which a novel coronavirus brought the global economy and community to a standstill. Across the world, governments, policymakers and business leaders struggled to find the balance between attending to the humanitarian crisis while trying to mitigate the economic damage of the consequent lockdowns.

Amid this widespread disruption, as the manager of R569 billion of assets on behalf of local and international clients, Coronation was among those essential services businesses that were granted the licence to remain fully operational throughout the national lockdown. And we are grateful for having been able to continue fulfilling our fiduciary and civic duties.

As the Chairman has noted, reflecting on 2020, it is difficult to ignore the fact that the systemic issues hampering South Africa's road to recovery remain largely unchanged after a decade of State capture. The advent of Covid-19, exacerbated by the undercapacity of the healthcare system to respond to the crisis, has only served to amplify the many challenges.

The economic hardship has further compromised already beleaguered households, as many have experienced dual loss of income. As a consequence, the asset management industry

experienced accelerated outflows as investors cashed in their investments or took retirement fund payment holidays, and widespread retrenchments saw employee contributions to group schemes diminish.

While every life lost to Covid-19 is one too many, in South Africa we fortunately have not seen the high levels of mortality that early modelling predicted, and science is still not clear as to why this is the case. The reality is that the scale of the economic humanitarian crisis outweighs that of the health crisis. In his Covid-19 update on 11 November 2020, President Ramaphosa addressed the nation and eased lockdown restrictions to further relieve certain sectors. Developments of viable vaccines are promising, and while it is early days, this will have a significant impact globally.

Business review

For the 2020 financial year, we were able to deliver on our commitments to our clients and shareholders through ongoing, excellent long-term performance across our portfolios, improved profitability and increased investment in our business.

While successfully transitioning the majority of employees to work remotely, we remained

“We remained focused on delivering an exceptional client experience.”

focused on delivering an exceptional client experience through increased communication and thought leadership events. We are proud to be part of a business community that stepped up to support government and civil society in their Covid-19 relief efforts. We were also extremely privileged to have retained our full employee complement.

I would like to acknowledge our investment and management teams, the Board and all employees for a seamless shift to remote work and ongoing service excellence, in spite of the personal demands each individual experienced as a result of lockdown. We will continue to monitor the Covid-19 situation and will manage employee work arrangements accordingly, with the wellbeing of our employees, contractors, service providers and clients top of mind.

The South African savings pool continued to shrink on already negative sentiment and stressed household budgets, exacerbated by business closures, loss of household incomes and retirement fund contribution holidays. Coronation's experience is in line with our estimate of the overall industry experience.

After reaching a nadir in the second quarter of 2020, markets experienced a strong rebound in the second half of the calendar year. Our portfolios reflect this in the very strong performance they have delivered for our clients over the long term. This has offset the effects of net AUM outflows as a result of the shrinking savings pool, and total AUM remains flat at R569 billion.

Improved investment performance has seen Coronation's profits up by 16.6%, while revenue increased by 10.7% to R3.6 billion. Total operating expenses are up 8.6%, with fixed costs up 12.8%. It is worth noting that cost increases for most expense lines were largely in line with inflation. Diluted and basic headline earnings per share increased 16.6% for the period to 398.5 cents. Fund management earnings per share increased 14.2% for the period to 383.1 cents.

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 R239 billion. Of our unit trust range, 86% of our funds have delivered first quintile performance in their respective ASISA

categories on an asset-weighted basis, over the past 10 years.

Our institutional business now manages R330 billion on behalf of our South African and global institutional clients. In spite of a tough environment, 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, 95% have outperformed their benchmarks since inception on an asset-weighted basis.

We manage a total of R79 billion in our global strategies on behalf of several leading international retirement funds, endowments and family offices. Following very strong performance in the 2019 calendar year, we have experienced inflows into the Global Emerging Markets Strategy, as clients seek to take advantage of the potential upside inherent in the current market volatility.

Covid-19 social response

Given that the lockdown conditions impacted many of the communities that we support via our CSI programmes and the impact of job losses, I am very proud of both Coronation, our non-executive directors and our employees for the generous support shown to Covid-19 relief initiatives. Coronation employees ranked first in the private sector in terms of corporate payroll donations to the Solidarity Fund, with a total of R13 million in relief funds donated to various charities and initiatives (→ [refer to page 20](#)). We were also in a position to provide support to our supply chain partners, an important aspect of ensuring economic recovery across the board.

Stewardship

The global focus on stewardship and responsible investment has sharpened, with regulation being tightened in the EU and the UK. We are members of several voluntary codes such as the Task Force on Climate-Related Financial Disclosures and Climate Action 100+. This year, we achieved the highest Principles for Responsible Investment ratings of either A or A+ in all categories.

“The full impact of Covid-19 on businesses, economies and society is yet to be seen.”

We published our second annual Stewardship Report for the calendar year 2019 in the first half of this year, which outlines in detail our stewardship approach and our views on key themes, as well as our engagement and voting activities. To align our business with the commitments we ask of our investee companies, we have formally included natural capital to our value creation activities. As our first step on this journey, we have included the findings of our first operational carbon footprint analysis in this report (→ [refer to page 21](#)). We will continue to use the learnings from this exercise to improve our operational efficiencies to soften and offset our impact on the environment.

Investment in our business

To maintain, and enhance, our core objective to deliver investment excellence in this fast-paced and competitive industry, where regulatory compliance and client service are key aspects of running a sustainable business, we have continued to invest in information technology and information systems infrastructure. Current projects include upgrades to Coronation Online Services, our direct client service platform, and improving our data management systems.

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.

Looking forward

Coronation continues to focus on the long term, both from a business and investment perspective. The full impact of Covid-19 on businesses, economies and society is yet to be seen, and will play out in the years to come. In this unparalleled time, Coronation has proven its resilience and the sustainability of our business model, through delivering on all of our key strategic objectives (→ [refer to page 15](#)). Finally, I would like to thank our clients, who are at the heart of our business in every way, for their ongoing support.



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

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

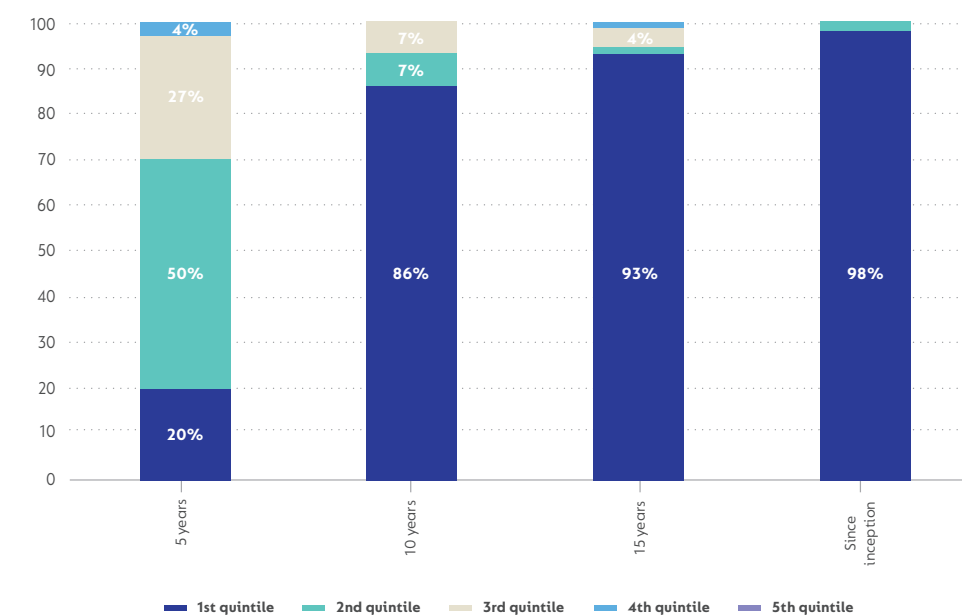
QUARTILE RANKING TO 30 SEPTEMBER 2020

	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.



Long-term investment performance



Excellent client service



Corporate citizenship



Growing a global franchise



Effective and integrated governance



TRUST IS EARNED™

“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 previous 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.



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 to 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](#))

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.

³ Environment, social and governance





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

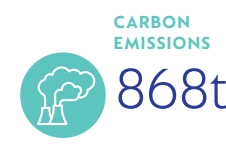
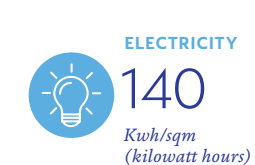
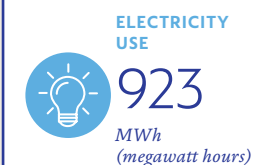


AVERAGE PER EMPLOYEE

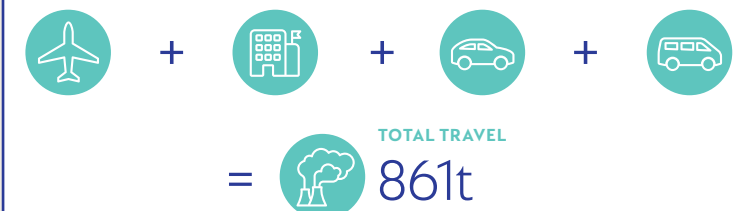


Electricity

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

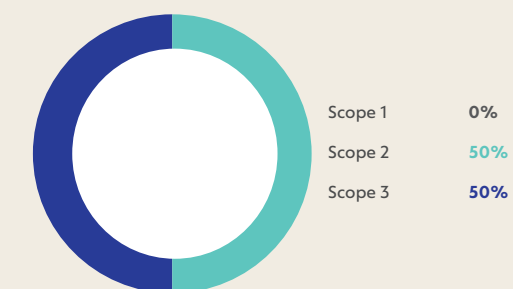
Waste and materials are not material issues for our office operations. However, managing waste production and material usage is good practice.**



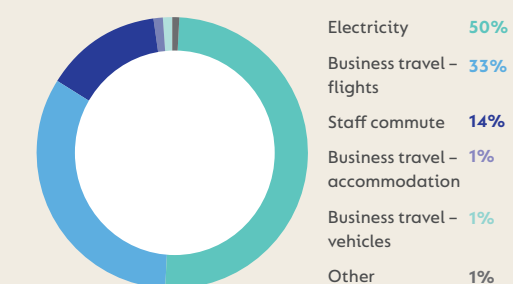
* Days are for in-office only and exclude Covid-19 work-from-home days. Note that between 75% and 85% of our employees worked from home under lockdown conditions.

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

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





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.

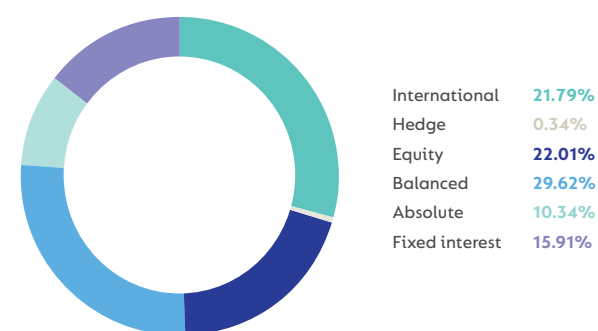
Over the last decade, we have focused our efforts on expanding our investment capabilities to cover a broad range of markets in a few targeted global strategies.

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.

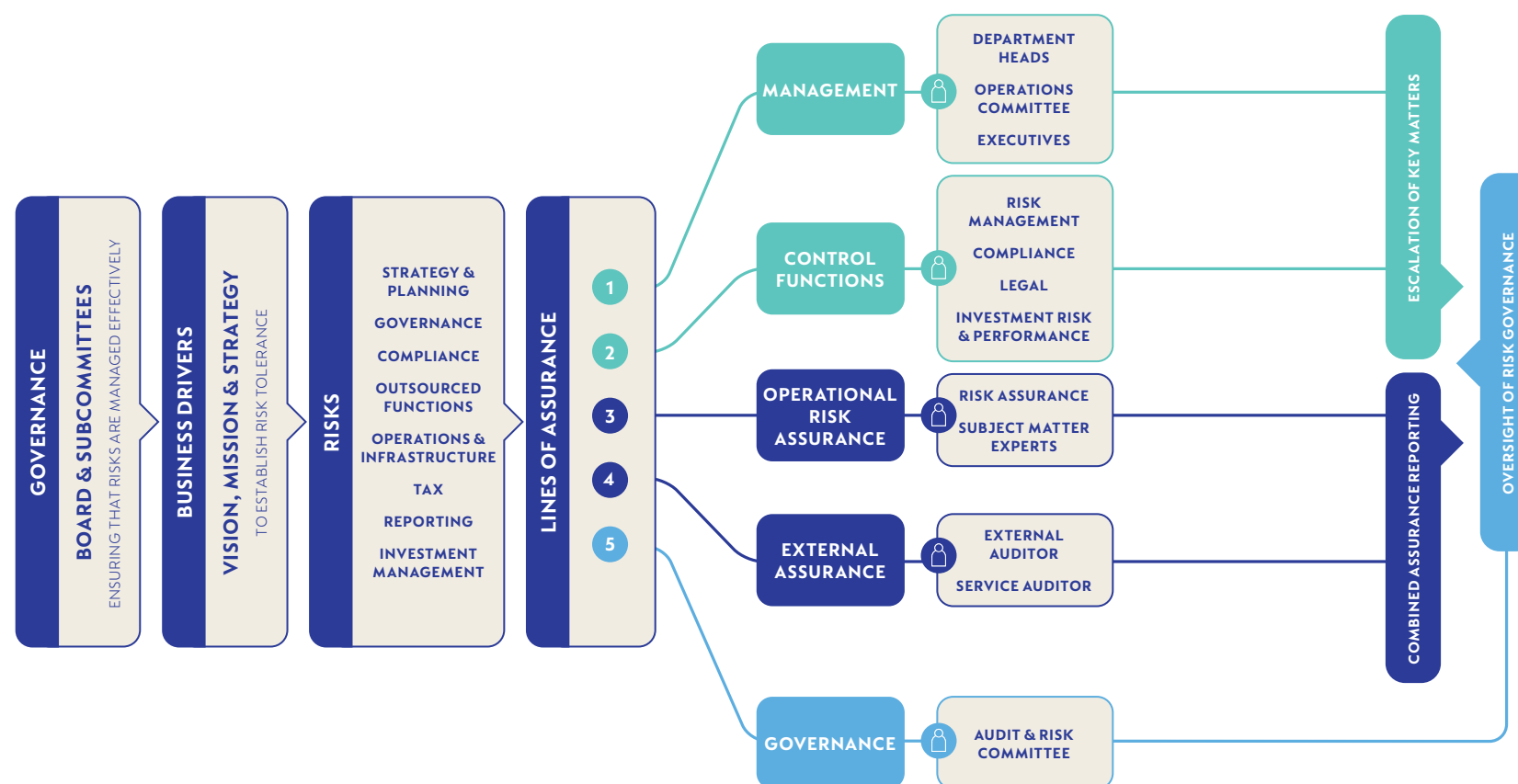
The model recognises varying levels of assurance, ranging from management to independent external assurance, and is designed to maximise value to the business, while minimising duplication. Key aspects of our lines of assurance are as follows.

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).





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](#)).



How Coronation creates value for stakeholders

STAKEHOLDER NEEDS



CLIENTS

- Strong long-term investment performance
- One focused investment philosophy
- Excellent client service



SHAREHOLDERS

- Ethical & sustainable business model
- Return on investment
- Investment in business



GOVERNMENT & REGULATORS

- Best-practice regulatory compliance
- Proactive engagement



SOCIETY

- Environmental impact monitoring
- Transformation
- Enterprise development
- Corporate social investment



OUR PEOPLE

- Inclusivity & diversity
- Reward for excellence
- Growth & development

CORONATION INPUTS

INTELLECTUAL CAPITAL

366 years' cumulative experience of senior investment professionals

- Ongoing investment in IT & IS infrastructure
- Rigorous investment process
- Mandatory operational policies in place

HUMAN CAPITAL

10 years average tenure of investment team

- Highly-skilled employees
- Strong, ethical culture
- Mentorship by senior investment professionals
- Best-practice recruitment process

FINANCIAL CAPITAL

R789m in corporate tax

- Remuneration policy supports variable costs
- Dividend policy: At least 75% of after-tax cash profit
- Grow profitability through fund management earnings

NATURAL CAPITAL

onsite waste management

- Investment stewardship activities
- Efficient business operations

SOCIAL & RELATIONSHIP CAPITAL

R340m in brokerage to black stockbrokers

- Strong client & IFA relationships
- Diversity & transformation
- Active corporate citizenship

HOW CORONATION CREATES VALUE



We invest clients' savings to deliver strong, long-term growth & construct risk-resilient portfolios.

As an active corporate citizen, we continuously engage the industry & strive for sector & social transformation.

KEY RISKS & CHALLENGES MANAGED



Covid-19 & economic lockdown
(→ refer to page 20)



Deteriorating economy & shrinking savings pool
(→ refer to page 8)

HOW CORONATION ENSURES VALUE CREATION FOR STAKEHOLDERS



CLIENTS

- Consistent execution of investment philosophy
- Regular fee & benchmark reviews
- Achieving rigorous client service targets
- World-class IT & IS infrastructure



SHAREHOLDERS

- Robust governance structures
- Ongoing investment in our business
- Consistent & sustainable operational performance & cost control
- Stable investment team
- Regular dividend distribution



GOVERNMENT & REGULATORS

- Detailed compliance universe & risk assurance monitoring plans
- Continuous engagement with regulators & industry to achieve a safer and effective financial sector



SOCIETY

- Active corporate citizenry
- Transformation of industry & society through business development, CSI, & recruitment
- We advocate operational efficiency with respect to the environment



OUR PEOPLE

- Training & development
- Coaching & mentoring
- Performance-based remuneration
- Employee ownership & empowerment

HOW CORONATION CREATED VALUE FOR STAKEHOLDERS IN 2020



CLIENTS (→ refer to page 30)

- Strong long-term investment performance
- Enhanced stewardship & ESG
- World-class client service & communication
- Large, stable investment team



SHAREHOLDERS (→ refer to page 38)

- Dividend policy maintained
- Ongoing shareholder engagement
- Infrastructure investment
- Remuneration model aligns employees with shareholders
- Board succession planning



GOVERNMENT & REGULATORS (→ refer to page 42)

- No regulatory fines or sanctions received
- Well-established team of experienced compliance professionals
- Delivery of FICA project
- Total tax paid, including VAT where applicable: R789 million



SOCIETY (→ refer to page 43)

- Covid-19 relief contributions >R13 million
- Swift payment of SMEs to help cash flow
- First carbon footprint measured
- Ongoing business development & CSI initiatives



OUR PEOPLE (→ refer to page 49)

- No Covid-19 related retrenchments/furloughs
- Employee wellbeing & coaching interventions
- Training & development
- Performance-based remuneration

HOW CORONATION CREATES VALUE FOR CLIENTS

During the Covid-19 pandemic, we remained unwaveringly focused on maintaining high levels of client service excellence, via long-term investment outperformance, integrated stewardship of client assets, and building a transformed and inclusive financial services industry.

Our Client Charter

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. The Covid-19 pandemic saw a marked increase in client interactions, as we ramped up our communications, keeping our clients abreast of portfolio positioning and performance.

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 83](#)).

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.

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, and 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.

69

INVESTMENT
PROFESSIONALS

A highly skilled and stable investment team

- A single, integrated global investment team, including 69 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

Coronation has invested its clients' assets according to the same disciplined philosophy for 27 years. 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 ESG factors into our investment decision-making (→ [refer to page 17 or the Stewardship Report 2019 on \[www.coronation.com\]\(http://www.coronation.com\)](#)).
- 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 27-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

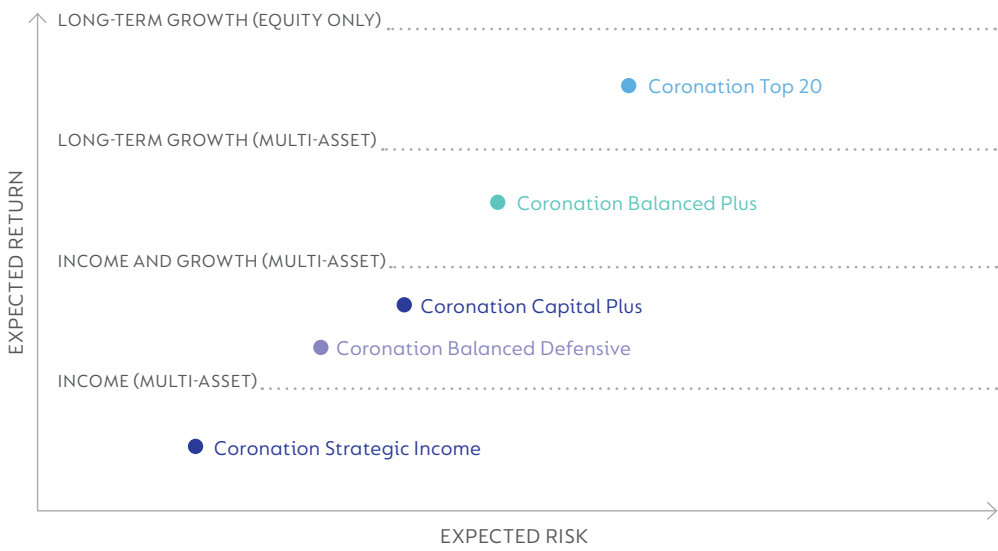
- Africa Frontiers (excluding South Africa)
- Global Frontiers

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.

This year, we moved our annual thought leadership conference onto a virtual platform hosting a number of local and international experts on subject-focused webinars. These have been extremely successful and, through this platform, we enhanced our contact points with both existing and potential clients (→ [refer to page 36](#)).

Personal investments

A team of client service professionals responds 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 continual professional development requirements, we offer Coronation-specific content, available on FAIS Exchange and other third-party platforms.

INSTITUTIONAL PERFORMANCE – GLOBAL PORTFOLIOS

Fund	Annualised return	Active/real return
Coronation Global Emerging Markets Equity Strategy	7.3%	4.4%
Since inception in July 2008 (USD)		
Coronation Africa Frontiers	5.3%	4.4%
Since inception in October 2008 (USD)		
Coronation Global Equity Fund of Funds	6.4%	1.4%
Since inception in July 2000 (USD)		
Coronation Global Managed Strategy	7.7%	6.0%
Since inception in November 2009 (USD)		Real (after-inflation) return

UNIT TRUST PERFORMANCE – DOMESTIC AND INTERNATIONAL FUNDS

Fund	Annualised return	Fund highlight
Coronation Top 20	16.2%	The number 1 general equity fund in South Africa since inception.
Since inception in October 2000		3.6% alpha
Coronation Market Plus	14.3%	The number 1 multi-asset flexible fund in South Africa since inception.
Since inception in July 2001		8.6% real return
Coronation Balanced Plus	13.6%	The number 1 balanced fund in South Africa since inception.
Since inception in April 1996		7.5% real return
Coronation Capital Plus	11.0%	The number 1 multi-asset medium equity fund in South Africa since inception.
Since inception in July 2001		5.4% real return
Coronation Balanced Defensive	8.9%	The number 1 multi-asset low equity fund in South Africa since inception.
Since inception in February 2007		3.2% real return
Coronation Strategic Income	9.9%	The Fund remains the top-performing fund in its category since inception.
Since inception in July 2001		2.3% ahead of cash
Coronation Global Managed [ZAR] Feeder	13.7%	The number 1 global multi-asset high equity fund in South Africa since inception.
Since inception in October 2009		8.7% real return
Coronation Optimum Growth	14.8%	The Fund has outperformed its composite benchmark and is a top quartile performer in the Worldwide – Multi-Asset – Flexible category since inception.
Since inception in March 1999		8.9% real return
Coronation Global Equity Select [ZAR] Feeder	10.2%	The Fund has outperformed the MSCI All Country World Index by more than 10% in 2019.
Since inception in January 2015		-3.9% alpha
Coronation Global Strategic USD Income [ZAR] Feeder	8.9%	The Fund was able to beat the US dollar cash over longer periods and since inception.
Since inception in December 2011		0.5% ahead of cash

Rand returns; performance returns are stated net of fees for the respective retail classes as at 30 September 2020. 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](#).

2020 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
Coronation Houseview Equity	15.5%	2.2%
Since inception in October 1993		
Coronation Aggressive Equity	15%	2.0%
Since inception in February 2002		
Domestic Multi-Asset	Annualised return	Active/real return
Coronation Global Houseview	15.1%	9.2%
Since inception in October 1993		Real (after-inflation) return
Coronation Managed	15.0%	9.4%
Since inception in May 1996		Real (after-inflation) return
South African Specialist Fixed Income	Annualised return	Active return
Coronation Strategic Bond	8.9%	0.6%
Since inception in January 2008		
Coronation Active Bond	10.9%	0.7%
Since inception in July 2000		

* All institutional performance returns are stated gross of fees as at 30 September 2020.

Client service

During economic lockdown we maintained our track record of service excellence. 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 will discount fees by up to 83% of the base fee (charged when performance after fees equals benchmark performance) when they fail to outperform their benchmarks over the five years preceding the valuation point.

Stewardship

We have continued to build on our stewardship reporting, and published our second annual Stewardship Report in 2020. The report outlines our approach to responsible investing and how we integrate, engage and collaborate on ESG issues to unlock value for our clients. (→ [refer to page 17 or download the full report from *www.coronation.com*](#)).

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 and the restrictions of movement due to the national lockdown, we broadened our channels to include podcasts and webinars and have increased our thought leadership presence in the media. Additional channels of communication include our Coroconnect adviser information portal and ad hoc client mailers on topical issues.

Between October 2019 and September 2020, we sent over 930 000 emails to investors and stakeholders; of these approximately 240 000 were sent in March and April as we moved to support our clients through the beginning of lockdown. These included opinion pieces by the investment team, transactional information and report backs on the fund and market environment.

Roadshows shift to digital

The sudden onset of Covid-19 saw a swift pivot from in-person conferences and roadshows to webinar format. We have held four webinar sessions of our flagship adviser event Conversations with Coronation. Attendance was in line with our in-person national roadshow, with attendance of c. 1 600 advisers per webinar. The feedback has been positive with an average rating of above 4.5 out of 5.

In January 2020, our annual thought leadership forum, Talking Investments, attracted over 950 clients. In recognition of the fact we would not be able to convene the event in January 2021 and the need to keep our clients informed and updated with global trends, we moved to transform the event into a series of 'fire-side' chat, web-based conversations, where members of our team hosted a series of global thought leaders. To 30 September 2020, we hosted three webinars with 2 657 registered attendees.

Appropriate strategies, funds and accounts

We have 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 (→ [refer to page 24](#)).

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 74](#)).

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 18](#)). We will ensure that we maintain and improve relationships and service levels with our clients, and will continue to actively engage and communicate through the appropriate channels. Additionally, we will continue to investigate new products in line with the changing investment landscape.

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

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

HOW CORONATION CREATES VALUE FOR SHAREHOLDERS

We create sustainable value for shareholders by achieving investment excellence, which results in consistent operational and financial performance; adhering to the highest corporate governance requirements; maintaining significant distributions of free cash flow; and continual 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.

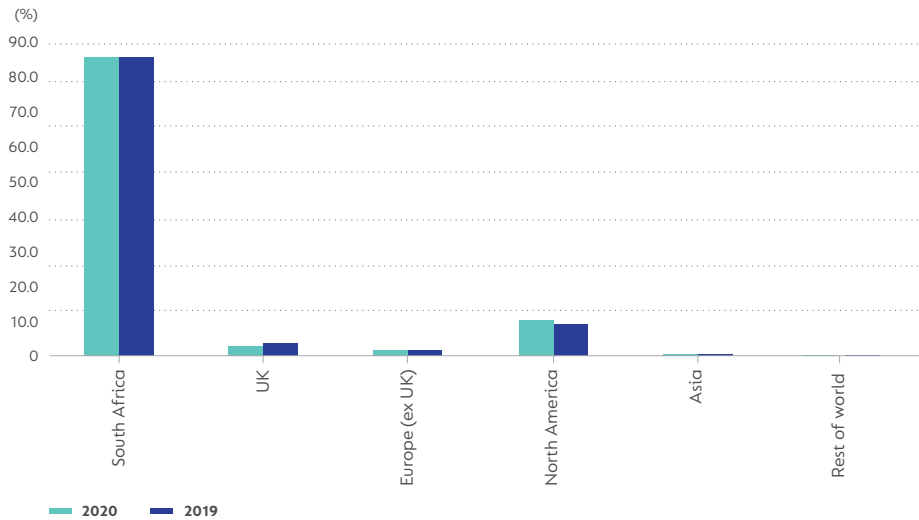
Shareholder engagement

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 2020 AGM, shareholders and proxies representing 71.3% 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.

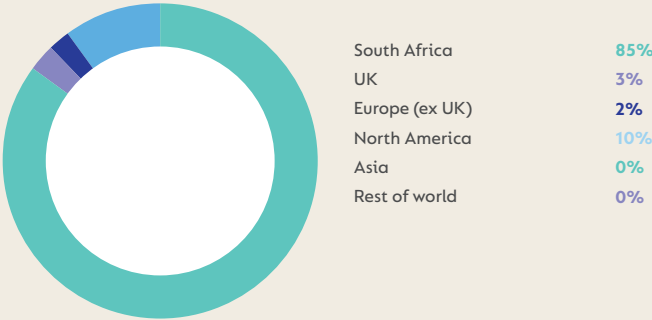
SHAREHOLDER GEOGRAPHIC DISPERSION



100%

dividend payout from after-tax cash profit

SHAREHOLDER ANALYSIS

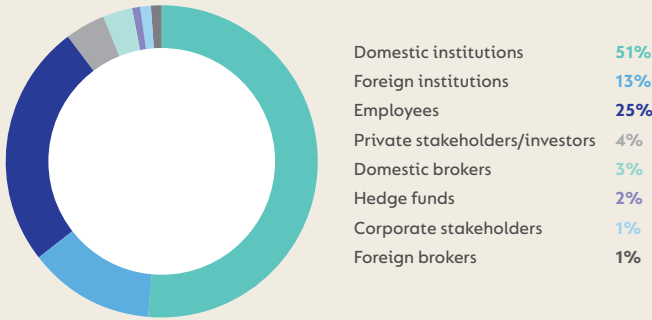


SINCE 2003

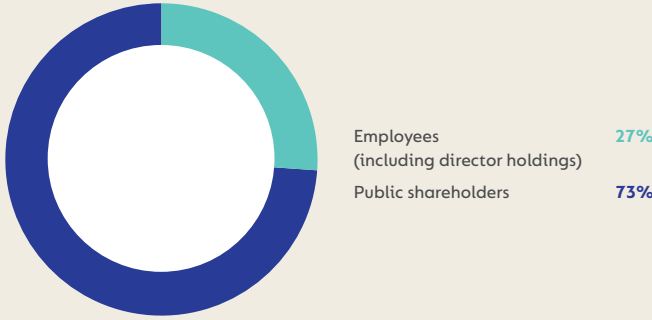
R15bn

in dividends

INVESTOR TYPE



EMPLOYEE VS PUBLIC SHAREHOLDERS



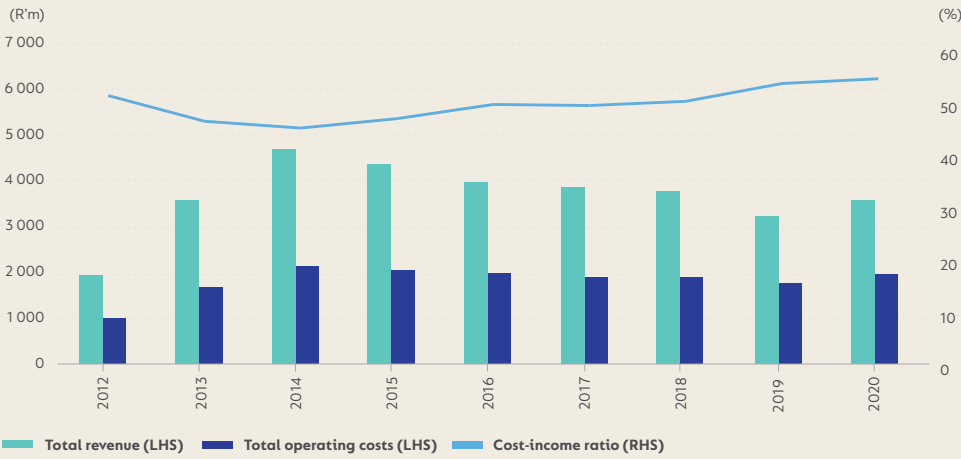
2020 outcomes for shareholders

Financial and operational performance

Coronation delivered respectable financial performance in a tough environment. Net profit was up 16.6% year on year, and revenue increased by 10.7% to R3.6 billion. While most fixed-cost increases were mainly in line with inflation, the overall above-inflation cost increase is attributed to ongoing investment in information technology and systems infrastructure.

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

Protects shareholders in down years

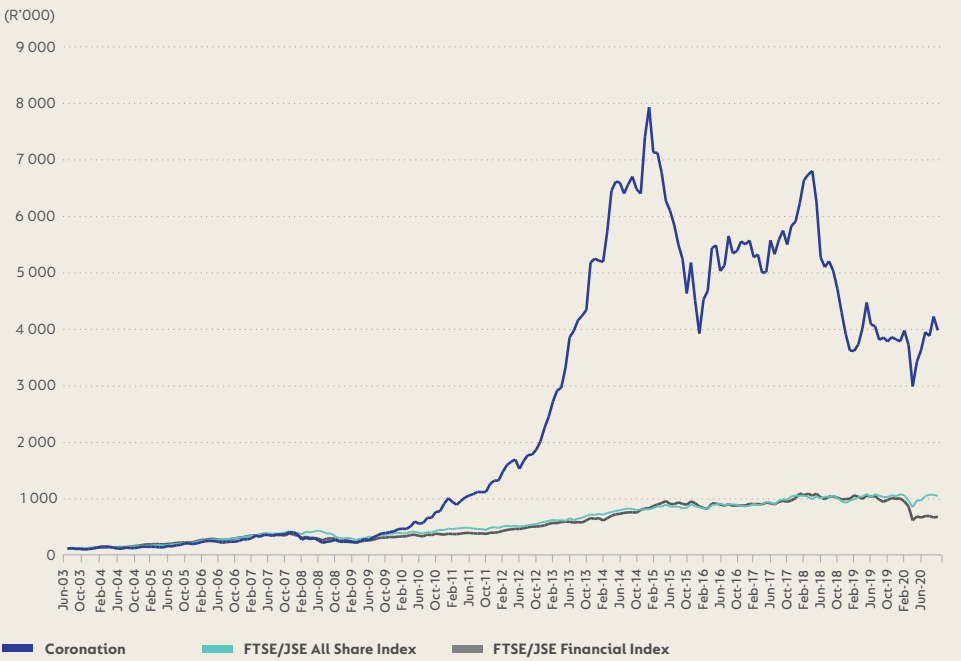


Source: Coronation

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 100% of after-tax cash profit in the past year.

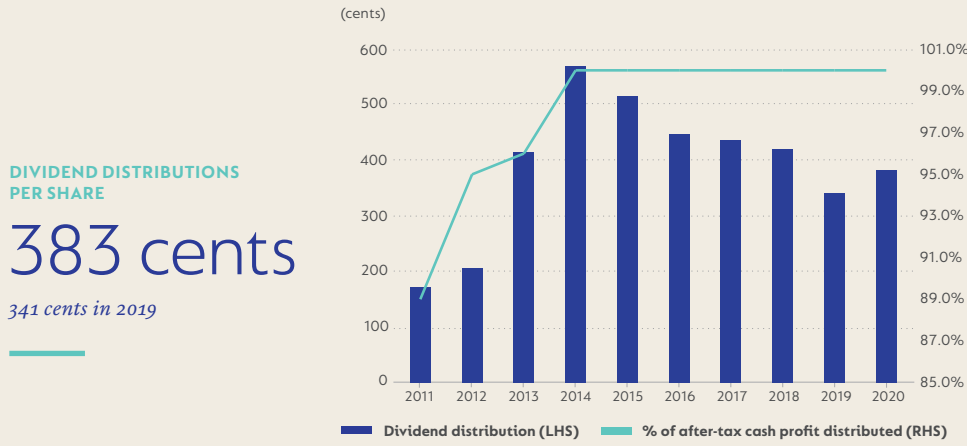
SHARE PERFORMANCE VS FTSE/JSE ALL SHARE AND FTSE/JSE FINANCIAL

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



Source: Coronation

SHAREHOLDER RETURN

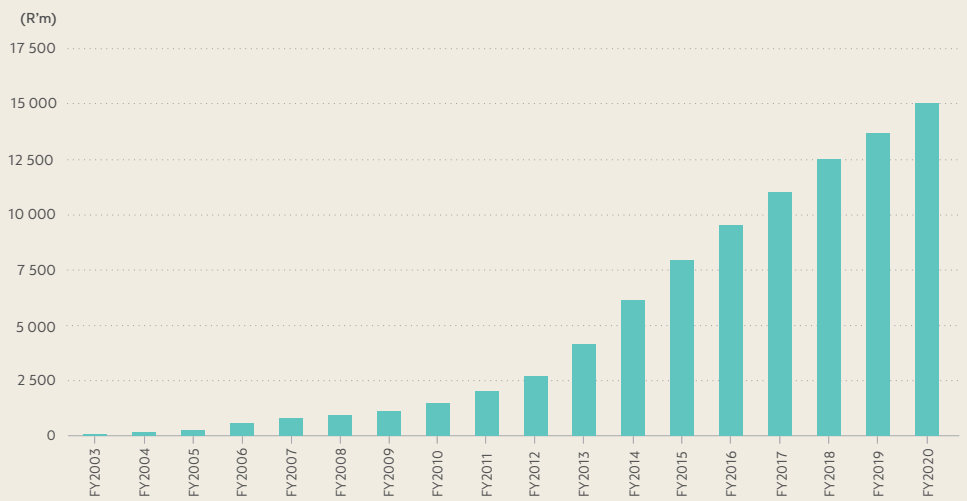


Source: Coronation

TRACK RECORD OF CASH GENERATION*

R15 billion paid out in dividends to shareholders since listing in 2003

Dividend generation history (cumulative 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 according to the highest standards.

IN FINANCIAL YEAR 2020

R789m

total tax contribution

Coronation supports and 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 legislative consultations to safeguard against unintended consequences.

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 FSCA, and more recently the 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.

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 created 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 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 R789 million. We also responded to the government's call for Covid-19 relief and donated over R13 million to the Solidarity Fund, various charitable initiatives and community projects.



1st

EMPLOYEE-ONLY BEE DEAL

4

BLACK-OWNED FINANCIAL SERVICES BUSINESSES ESTABLISHED

HOW CORONATION CREATES VALUE FOR SOCIETY

Coronation is aligned with the national imperative to promote a just and inclusive society across race and gender, and the upliftment of the communities in which we operate. We do this through our transformation and CSI initiatives.

Transformation

Since opening our doors in 1993, we have delivered on our pledge to create jobs and launch new businesses that support the transformation of our country. While we are by no means at the end of that journey, we are proud of the significant strides that we have made.

United Nations Women's Empowerment Principles

Coronation is now a signatory to the United Nations Women's Empowerment Principles, which provide guidance to business on how to promote gender equality and women empowerment in the workplace, marketplace and community. This emphasises our commitment to diversity and ensuring women, who make up almost half our workforce, are strongly represented in senior roles and on our Board.

B-BBEE scorecard

Our significant contribution to industry transformation, preferential procurement and critical skills development has earned us a Level 2 B-BBEE contributor status according to the Financial Sector Code.

Ownership

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.

Black business development

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 third year of operations and continues on its journey to become a world-class service provider.

Black-owned asset managers

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. 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.

* Coronation holds no interest in these businesses.

R340m

TO BLACK BROKERAGES

148

BLACK IFA BUSINESSES
SUPPORTED

Supporting black brokerages

In 2006, we launched 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 are guaranteed for periods of three to five years. Critical to the programme's success is 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 R340 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.

Preferential procurement

We practice preferential procurement in order to 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.

Training and education

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 2016, it has trained 148 black IFA businesses and created internship opportunities for 141 individuals, 42 of whom have been absorbed into the practices.

Vunani Training Academy

Vunani Securities is an original beneficiary of our Business Development Programme. Today, it is a significant South African stockbroker. Through its academy, Coronation has provided financial assistance for 29 graduates, many of whom now fulfil influential roles in the industry.

Bursaries and skills development

The Coronation Exceptional Students Bursary Programme

Since 1993, more than 120 students from underprivileged areas all over South Africa have been given the chance to achieve their dream of a better future through the Coronation Exceptional Students Bursary Programme. 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.

“

The interview process was challenging but after going through that meticulous scrutiny, I felt extremely honoured and was quite excited to join this winning team.”

Kgaugelo Makgatho,
Client Reporting intern

“

Coronation gave me the opportunity to prove to myself that I can do better and grow through experience and hard work.”

Ntokozo Yolanda Kumalo,
YES Programme participant

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.

Work experience

To assist in growing and deepening the investment industry's pool of talent, we introduced internship programmes into 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 work experience programme for unemployed graduates in 2012. In 2020, we hired nine graduates from across these programmes.

Internships

Our focus is to create employment by offering internships in roles that allow for the training and development of graduates. Interns are hired into available permanent roles and trained with the intent of making them permanent and providing them with real life work experience. In 2020, nine new graduates joined Coronation as interns. Over the past nine years, a total of 67 graduates have benefited from our programme and, as at the end of the 2020 financial year, of the 67 interns hired into the business, 87% are black and 55% are black females. We have permanently employed 33 of the 67 interns within our business, of whom 29 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 23-month period. The programme is aimed at developing specific skills that are in short supply in the marketplace.

Coronation Brilliant Minds

In 2020, we introduced a graduate development programme as part of a larger integrated approach adopted by the business to help address youth unemployment in our country. It is a 23-month programme designed specifically to create purposeful employment and meaningful professional development for newly qualified graduates.

In 2020, we recruited five graduates into various functions. All five graduates are black and three are female and are offered personal development and training as part of their graduate experience. We intend to grow this programme in the coming years.

Investment Administration and Client Servicing Programme

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.

YES Programme

In 2018, President Ramaphosa introduced the Youth Employment Service (YES) Programme as a means to alleviate the high unemployment rates. In 2020, we partnered with the ORT South Africa Foundation (ORTSA) to deliver a YES Programme, which involved placing 30 youths in schools as teacher assistants. 20 youths were placed in schools in the Western Cape and 10 in schools in Gauteng. These youths are provided with fixed-term employment for 12 months as well as monthly training sessions and one-on-one mentoring by ORTSA for the duration of their employment. This is in the hope that their experience will encourage them to pursue a career in education.

“

Standout aspects for me are exposure to many intelligent people with a wide array of knowledge and the amount of effort Coronation invests in its people.”

Leila Joseph,
intern ESG analyst

1.8m

FOOD PARCELS
FUNDED

R0.7m

TO VICTIMS OF ABUSE

SMME

PAYMENTS ACCELERATED

3rd-party

SUPPLIERS SUPPORTED

Corporate social investments

Coronation is dedicated to supporting schools and communities in building promising futures by collaboratively solving the education crisis in South Africa, with a focus on primary school learners and educators. We also support entrepreneurship and food security through our partnership with community-based farming initiatives. For much of the year under review, our focus was on supporting communities through the pandemic.

Covid-19 relief

Covid-19 was a disruptive factor in the already-challenged South African business and education sectors. As a business, along with our employees, we supported several relief initiatives, including the provision of personal protective equipment, food parcels, WhatsApp learning programmes, supporting teachers and making charitable donations to the most needy communities.

Our CSI programmes

As a proudly South African business, we are committed to developing our youth into becoming authors of their future opportunities and not just once-off beneficiaries of our initiatives.

We believe that by focusing on literacy and numeracy at the primary school level, we can aid in achieving this. Also, by extending our efforts to include supporting the parents, teachers and principals, we believe we can better unlock the potential of the children and students under their care.

1. We are in it for the long term

- ▶ Just like our investment approach, we commit to programmes for the long term.
- ▶ We form enduring relationships with our CSI partners and the communities we support.
- ▶ We believe consistency and sustainability determine success.

2. We take a holistic approach

- ▶ We understand that providing children with quality education cannot be done in isolation.
- ▶ We help parents, teachers and principals with training and tools to help them achieve better learning outcomes too.
- ▶ We support personal money management and entrepreneurship initiatives to strengthen these skills within households and communities.

3. We are directly involved in all our projects

- ▶ Senior employees have adopted schools in the Western Cape and provide regular, ongoing mentorship to principals and teachers regularly.
- ▶ Employees across our business are represented on our CSI Committee.
- ▶ Employees are encouraged to participate in all our CSI initiatives.

4. We monitor the outcomes of our programmes

- ▶ Each programme has specific stated and quantified objectives, along with desired outcomes.
- ▶ We monitor these every quarter in our Social, Ethics and Transformation Committee.
- ▶ Where needed, we implement the required changes and programme enhancements.

Cradle to Entrepreneur

CORONATION'S LEARNING-CENTRED PROGRAMMES

PRE-SCHOOL

1 089
children supported by our Home Visiting Programme

EARLY CHILDHOOD DEVELOPMENT
Early Learning Resource Unit

Equipping primary caregivers with tools & skills to support the growth & development of their young children.

“Early Childhood Development programme provided food relief to beneficiaries & developed a programme – Stimulation at Home – for parents & caregivers to implement during lockdown.”

— SOUTH AFRICAN EDUCATION PROJECT




PRIMARY SCHOOL

240
educators benefited from maths training

315
learners equipped with food gardening skills

NUMERACY
Counting with Coronation

Providing intensive mathematics training to teachers in impoverished communities.

“The classroom-based support influences educators to think out of the box.”

— GRADE 3 TEACHER
CEDAR PRIMARY, BONTEHEUWEL

SKILLS DEVELOPMENT
Coronation Schools Garden Programme

Teaching primary school learners how to grow their produce in school gardens.

“The programme taught me how to make compost & also how to plant. We use greywater to water our garden.”

— TAMICA BROWN, GRADE 7 LEARNER
AT LEVANA PRIMARY SCHOOL

LITERACY
Coronation Reading Adventure Rooms

Training educators to improve literacy levels in primary schools in impoverished areas by transforming the classroom learning environment.

22
schools were equipped with adventure-themed reading rooms




SUPPORTING EDUCATORS

79
teachers received hands-on experience

FUTURE LEADERS PROGRAMME

Placing student teachers in schools during their studies to gain professional experience.

“I look forward to using my skills in co-operative learning to encourage learners to work together, preparing them for the world of work in a diverse South Africa.”

— VINOLIA MANGANYE, FUTURE LEADERS PROGRAMME PARTICIPANT

95
principals received mentoring

PRINCIPALS ACADEMY TRUST

Providing school principals in underprivileged areas with weekly coaching & mentoring by retired school principals.

“Coronation was very understanding of all the partners as we all tried to find a new way of working with schools to achieve our goals.”

— BRUCE PROBYN,
HEAD OF MENTOR TEAM




SUPPORTING PARENTS

>17 000
adults trained to make sound financial decisions

CONSUMER FINANCIAL EDUCATION

Empowering parents, teachers & principals with financial skills & knowledge to enable them to make informed decisions.

“We learned how to use money. The thing I loved learning is that we use money badly, so the lessons really helped.”

— WORKSHOP PARTICIPANT



215
WhatsApp participants

182
workshop attendees

PARENT SUPPORT

Our parent support pivoted to accommodate social distancing. We provided educational material via WhatsApp &, once permitted, we resumed in-person sessions.

MY 2020 COVID-19 TIME CAPSULE

DEVELOPING ENTREPRENEURS



91
small-scale farmers trained to build businesses

CORONATION GROWING ENTREPRENEURS PROGRAMME

Training emerging farmers across South Africa in good governance, financial management, the practical & legal aspects of farm operations & recordkeeping.

“The programme has helped me a lot because I work part-time & the money from the gardens adds to my income.”

— NOKWANDA NKQAYI, 63
WOMAN FARMER AT THE SIYAZAMA COMMUNITY FOOD GARDEN

Note: All figures are for 2020. Social distancing and data affordability affected the numbers of participants in some programmes.

HOW CORONATION CREATES VALUE THROUGH OUR PEOPLE

Our aim is to build and retain exceptional teams of highly skilled individuals – ensuring the sustainability of our business. Our culture of ownership came through strongly as we swiftly moved to offsite working, while maintaining service and investment excellence to our clients.

At the onset of the Covid-19 lockdown, our first responsibility was to keep our employees safe by monitoring exposure and keeping compliant with public health safety measures. Coronation managed a seamless shift to remote work and we are extremely proud of our employees and how they have maintained productivity levels despite lockdown challenges. Our client service excellence continued; and our employees embraced the challenges and continued to perform optimally.

We realised that individuals faced specific challenges depending on their personal circumstances. We reminded all employees of the Coronation employee assistance programme, Healthy Company, which offers all employees and dependants living under the same roof free medical, financial, psychological and legal advice. We also offered all employees access to professional coaches.

Driven by performance

Our business depends on our people's ability to deliver long-term investment outperformance. Coronation is a meritocracy, where anyone (irrespective of position or title) is recognised for work well done.

Our flat 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.

Ownership

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 30).

Every year, all employees are required to confirm that they comply with specific ethical requirements, have no conflicts of interest, meet the requirements of Coronation's Compliance Manual, protect confidential information and adhere to the FSCA's Treating Customers Fairly initiative.

2020 key 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 2020, of Coronation's South African-based employees:

- 49% were female;
- 57% were black, of whom 57% were black females;
- 80% of appointees appointed during the 2020 financial year were black;
- 40% of new hires were black females;
- 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 were black, and 56% were female; and
- we remained a Level 2 contributor to broad-based black economic empowerment as per the 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 44). 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 323 South African-based employees, five graduate interns and nine individuals are on fixed-term contracts of more than three months, and are included in the table below. The table below does not include 11 Coronation Global Fund Managers (Ireland) Ltd or Coronation International Ltd employees.

OUR EMPLOYEE PROFILE 2020

Occupational levels	Male				Female				Foreign nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management	0	1	1	3	1	0	1	0	0	0	7
Senior management	0	1	1	3	0	1	1	0	0	0	7
Professionally qualified and experienced specialists and mid-management	14	21	7	68	7	23	9	35	7	4	195
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	6	22	7	3	16	46	5	16	1	0	122
Semi-skilled and discretionary decision-making	0	2	0	0	1	2	0	0	0	0	5
Unskilled and defined decision-making	0	0	0	0	0	0	0	0	0	0	0
TOTAL PERMANENT	20	47	16	77	25	72	16	51	8	4	336
Temporary employees	0	0	0	0	1	0	0	0	0	0	1
TOTAL SOUTH AFRICAN STAFF	20	47	16	77	26	72	16	51	8	4	337

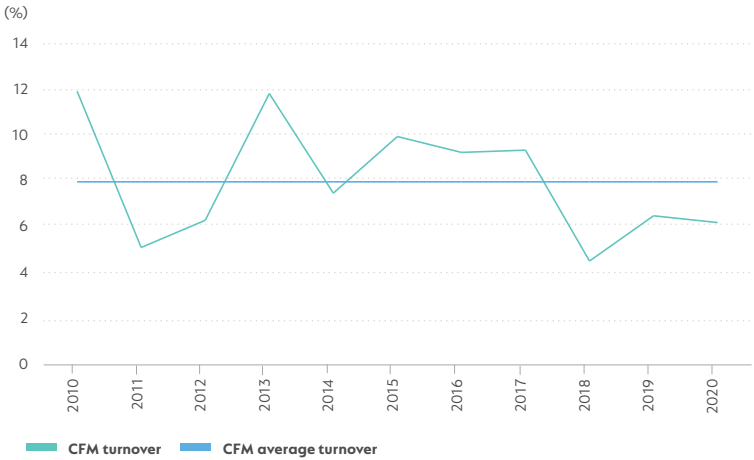
The table above includes any contractors who have been on contract longer than three months, therefore the total does not tie up with our permanent headcount figure.
As at 30 September 2020.
A = African C = Coloured I = Indian W = White.
Figures exclude Dublin and London offices.
Source: Coronation

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 6.2%, it remains well below industry standards. The average tenure of departing employees was five years in 2020. 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. We regularly review employee notice periods to ensure minimal disruption in the event of resignation and to maintain alignment with dynamics in the market (→ refer to the Remuneration Policy on page 83).

EMPLOYEE TURNOVER



Source: Coronation

Nurturing talent

Online support

We have a digital onboarding system to integrate new starters and help to build engagement and to ensure continued support throughout their onboarding journey. This proved invaluable during lockdown as we were unable to relocate new hires to Cape Town.

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 2020, R9.1 million was allocated to the skills development of black employees (2019: R7.1. million).

Academic qualifications

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.

Online training

We have also sourced a number of relevant virtual training courses in response to the employee wellness survey results and offered all employees the opportunity to join virtual training sessions that focused on themes of Resilience, Leadership and Communication.

Coaching

At Coronation, future talent is earmarked for succession planning. We offer individual coaching to employees taking on leadership roles or facing new challenges to ensure personalised support and development.

We have offered all employees individual coaching sessions with two of our coaching partners. Following this initiative, we offered all coachees who took up this offer specific masterclasses to ensure ongoing tailor-made support and development.

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 16 active mentors within the business, some of whom focus specifically on mentoring our bursary students.

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.

Women in leadership

We are passionate about the ongoing development of the women in our business and believe that transformation and diversity is critical to our success and that of our industry. In 2020, we offered all our women employees an opportunity to advance their careers through four possible GetSmarter Women in Leadership courses from the likes of Stellenbosch, Oxford and Cambridge University. Of our women employees who took up the initiative, 66% were black⁷.

During Women’s Month in August, we featured interviews with our female leaders and professionals in the Our Women in Focus area of our website.

Future focus

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

⁷ African, Indian and Coloured



Governance and related reports

In this section we provide an overview of our Board as well as our various committee and governance-related reports for the financial year under review.



BOARD OF DIRECTORS

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



SHAMS PATHER

Independent non-executive Chairman, 70
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 Proteomic and Genomic Research and Kagiso Tiso Holdings (Pty) Ltd.



ANTON PILLAY

Chief Executive Officer, 51
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 director of ASISA.



MARY-ANNE MUSEKIWA

Chief Financial Officer, 39
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.



JOCK MCKENZIE

Independent non-executive director, 73
BSc (Chem Eng), MA (Lancaster)

Jock is a member of the board of Capitec. 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, 50
MBChB, MBA (Oxon), CFA

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



MADICHABA NHLUMAYO

Independent non-executive director, 42
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. Madichaba is an independent non-executive director of Dental Risk Company (Pty) Ltd.



JUDITH FEBRUARY

Independent non-executive director, 49
BA (Law), LLB, LLM (UCT)

Judith is an attorney based at Corruption Watch and a Visiting Fellow at the Wits School of Governance. Prior to that, Judith headed up IDASA’s South African governance programme after practising law until 2000. She is a Conflict Dynamics accredited commercial mediator, a political analyst, and writes columns for Eyewitness News and Daily Maverick. She is the author of ‘Turning and Turning: Exploring the complexities of South Africa’s democracy’, published in 2018. She is also a Trustee of the Nelson Mandela Foundation. She was appointed to the Board in August 2008.



ALEXANDRA WATSON

Lead independent non-executive director, 64
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 chairperson of the Accounting Practices Committee, the Technical Accounting Committee of the South African Institute of Chartered Accountants, and is the chairperson of the Financial Reporting Investigations Panel. In April 2018, Alexandra was appointed as an independent director of Steinhoff. She is a former vice chairman of the board of the Global Reporting Initiative, and is a director of the board of WWF-SA.



LULAMA BOYCE

Independent non-executive director, 42
BCom (Hons), CA(SA), MCom, Financial Management (UJ)

Lulama is the Head of Department: Commercial Accounting at the University of Johannesburg, a member of the board of Adcock Ingram Holdings Limited, and a former account manager of the Industrial Development Corporation, where she 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 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.



NEIL BROWN

Independent non-executive director, 55
Nat Dip Company Admin, MBA (Finance)

Neil was appointed as an independent non-executive director on 19 October 2020. He has a National Diploma in Company Administration and a Master of Business Administration in Finance, with 28 years of experience as a South African-based fund manager and equity analyst. Neil previously worked at Syfrets Managed Assets, Nedcor Investment Bank and Old Mutual Investment Group, where he was co-head of the Electus boutique, and following this he was the co-founder and co-head of the independent Electus Fund Managers.



PHAKAMANI HADEBE

Independent non-executive director, 53
MA Economics (KZN), MA Rural Development (Sussex)

Phakamani has served in senior management positions in both the public and private sectors. Most recently, he served as the group chief executive of Eskom Holdings. Prior to this, he was the CEO of Corporate and Investment Banking (SA) at Barclays Africa, the CEO for the Land and Agricultural Bank and Head of Assets and Liabilities at National Treasury from 2003 to 2008. Phakamani is also consulting for the IMF and the United Nations Economic Community of Africa on financial markets. He was appointed as an independent non-executive director on 19 October 2020.



SAKS NTOMBELA

Independent non-executive director, 53
BSc Mechanical Engineering (Natal), MBA (UCT), AMP (Harvard)

Saks serves as the group CEO of Hollard Insurance (Hollard). Prior to joining Hollard, Saks served as the head of Retail Banking Product and Segments at ABSA and held a number of executive positions at Nedbank. He holds a Bachelor of Science Mechanical Engineering from the University of Natal, Saks is also a graduate of the University of Cape Town’s Graduate School of Business. More recently, he also completed the Advanced Management Programme at the Harvard Business School in Boston. Saks was appointed as an independent non-executive director on 19 October 2020.

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 serves as the focal point and custodian of corporate governance and is primarily responsible for the strategic leadership of the Group. It 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;
- oversight of capital allocation;
- 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.

We are aligned to the principles as detailed in our King IV™ application register, which can be viewed on our website: 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 functioning according to clearly articulated terms of reference (→ [refer to pages 61 to 65 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 on the subsidiary company boards. 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, 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 2020, 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 a balance of power and authority.

Messrs Neil Brown, Phakamani Hadebe and Saks Ntombela were appointed as independent non-executive directors of the Board, effective 19 October 2020. Their appointments follow rigorous consideration of the Board skills matrix to ensure that the composition of the Board reflects a diverse skill set. The Board recognises the increasing importance of succession planning and approached its succession plan in a measured fashion. The appointment of additional independent non-executive directors provides an opportunity for the Board

to invigorate its capability while also ensuring that the longer-tenured directors have an opportunity to share their institutional knowledge and expertise with incoming directors. These steps will ensure the furtherance of Coronation's succession plan and its commitment to enhancing the independence and longevity of the Board.

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.

A formal Board assessment was conducted for the year ended 30 September 2020 and was externally facilitated. This included an assessment of the effectiveness and independence of non-executive directors serving in excess of nine years.

The independence assessment was developed with the guidelines set out in King IV™ and was further aligned to international practice. In particular, the Board reviewed international practice in respect of long tenure and its impact on independence, and the Board concluded that coupling tenure to independence is misguided as independence is ultimately a state of mind.

The Board is satisfied that all directors exercise objective, unfettered judgement in their interactions and decision-making. In particular, the Board concluded that, in each instance, the independence of Mr Pather, Prof Watson, Ms February and Mr McKenzie's character and objective judgement was not impaired by their length of service.

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

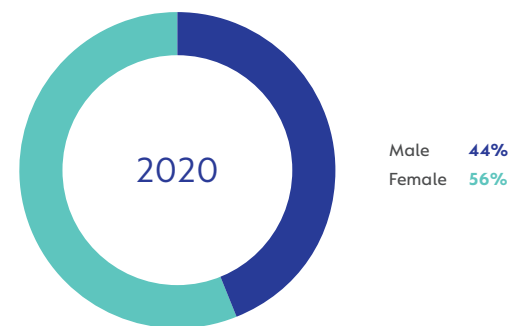
Board diversity

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 the Group Nominations and Board Diversity policies, which are available on www.coronation.com.

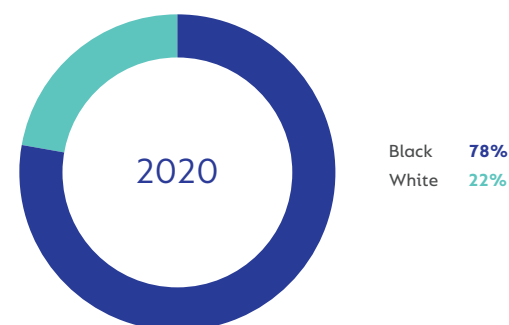
Cumulatively, the Board comprises chartered accountants and CFAs, and has qualifications including Masters in Business Administration (MBA) and law, as well as a Bachelor of Medicine and Chemical Engineering and a Masters of Arts (Rural Development) (→ [refer to page 54 for the biographies of the Board 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. The cross-pollination of Board members on subcommittees and regular attendance at these meetings ensure all material matters are considered from a variety of perspectives, to better support the ultimate decisions of the Board.

BOARD OF DIRECTORS BY GENDER*



BOARD OF DIRECTORS BY RACE*



* As at 30 September 2020

The targets for directors of the Board are no less than 50% black and 50% female directors. At 30 September 2020, our voluntary targets for Board diversity were exceeded.

Board and subcommittee assessments

The Board's fiduciary duty is to always act in the best interest of the Company and its stakeholders by 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 an independent non-executive Chairperson, who is supported by a lead independent director.

As noted, a formal Board assessment was conducted for the year ended 30 September 2020, which was facilitated by an external third party. The assessment was conducted on a purely qualitative approach that included individual interview discussions between the directors and the facilitator.

The Board assessment confirmed that the Board is operating effectively with regard to its primary roles and responsibilities of steering and setting strategic direction, approval of policy and planning, overseeing and monitoring management, and ensuring accountability of the Company's performance.

The assessment further confirmed that all Board members are prepared, attend, and participate fully, frankly, effectively and constructively in Board deliberations. In addition, it was noted that the Board's culture and style effectively and efficiently support deliberation and decision-making.

While the assessment report was overwhelmingly positive in respect of the Board's functioning, where areas for development were identified, the Board formulated an action plan and undertook to improve on these areas within the next 12 to 18 months.

Lead independent non-executive director

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

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

Director nominations

Based on the recommendation from the Remuneration and Nominations Committee, the Board considers the nomination of new directors for appointment, or re-appointment in the case of existing directors, and recommends the same to shareholders. In line with Company policy, at least one third of the non-executive directors are required to retire from their appointment each year.

The directors who are required to retire are those who have been in office the longest since their last election or appointment. The retiring directors may make themselves eligible for re-election. The retiring directors eligible for re-election at the 2021 AGM are Ms Judith February, Mr Jock McKenzie and Mr Anton Pillay. In addition, the appointments of Messrs Neil Brown, Phakamani Hadebe and Saks Ntombela are to be ratified by shareholders at the 2021 AGM.

Outside interests

In terms of the Companies Act, all directors must disclose outside business interests. The declaration of directors' interests 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' interests. 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 directors' 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 non-executive directors' remuneration on page 91](#)).

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 2020, 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.

BOARD AND COMMITTEE MEMBERSHIP 2020

	Board	Audit and Risk Committee	Social, Ethics and Transformation Committee	Remuneration and Nominations Committee
Shams Pather (Chairman)	✓			✓
Anton Pillay (CEO)	✓		✓	
Lulama Boyce	✓	✓		
Neil Brown*	✓			
Judith February	✓		✓ (Chair)	
Phakamani Hadebe*	✓			
Jock McKenzie	✓	✓		✓
Hugo Nelson	✓	✓		✓ (Chair)
Madichaba Nhlumayo	✓		✓	
Saks Ntombela*	✓			
Mary-Anne Musekiwa	✓		✓	
Alexandra Watson	✓	✓ (Chair)	✓	✓

* Appointed 19 October 2020

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 2020 financial year. Attendance at the meetings of the Board and the committees as at 30 September 2020 was 100% and as follows:

BOARD AND COMMITTEE MEETING ATTENDANCE 2020

	Board of Directors	Audit and Risk Committee	Social, Ethics and Transformation Committee	Remuneration and Nominations Committee
Shams Pather (Chairman)	✓			✓
Anton Pillay (CEO)	✓		✓	
Lulama Boyce	✓	✓		
Judith February	✓		✓	
Jock McKenzie	✓	✓		✓
Mary-Anne Musekiwa	✓		✓	
Hugo Nelson	✓	✓		✓
Madichaba Nhlumayo	✓		✓	
Alexandra Watson	✓	✓	✓	✓

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, Mrs Nazrana Hawa, who in turn has access to appropriate resources in the provision of this support. An assessment regarding her competence, qualifications and experience was externally facilitated for the period under the review. The Board is satisfied that the Company Secretary has the necessary skills and experience and fulfils her responsibilities towards the Board.

REPORTS

Our financial year 2020 reports include all Board committee reports, as well as our Risk Management, Compliance and Information Technology and Systems reports.

Social, Ethics and Transformation Committee Report

The responsibilities of the Social, Ethics and Transformation (SET) Committee include 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.

While the SET Committee has insight into the investment process, it is not accountable for trading or proxy voting decisions made by the investment team, which are operational decisions given the nature of the business. Our second annual Stewardship Report was produced in 2020 and provides insight into our stance on trending ESG themes, our engagement with investee companies and other stakeholders, and is also available on our website.

The SET Committee comprises independent non-executive directors Ms Judith February (Chairperson), Prof Alexandra Watson and Mrs Madichaba Nhlumayo, as well as executive directors Mr Anton Pillay (CEO) and

Ms Mary-Anne Musekiwa (CFO), each of whom lend a wealth of experience and diverse perspectives to SET Committee discussions. SET Committee meetings are also attended by the COO 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 CSI committees. The Company Secretary serves as the secretary to the Committee.

The activities of these committees are formally reported to the SET Committee at each meeting. The SET Committee met twice during 2020, and each meeting was fully attended by its members. In its deliberations during the year, the SET Committee considered substantive local and international regulations 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;
- the Employment Equity Act; and
- the Broad-Based Black Economic Empowerment Act.

Key areas of focus 2020

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.

Occupational health and safety

At each meeting the SET Committee receives an update on the Company's compliance to occupational health and safety regulations. This topic has received increased attention given the impact of Covid-19 on workplace safety. During the period under review, no material or fatal injuries were reported and the SET Committee is satisfied that the Company takes the necessary steps to implement health and safety regulations across all its locations.

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 enhance communication on the breadth of matters comprising ethics, and channels of reporting. The Committee is also responsible for 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. The SET Committee identified the need to improve the Company's reporting on environmental sustainability matters and this matter will receive increased attention in the future.

Stakeholder engagement

The SET Committee reviewed a summary of engagement with material stakeholders, including the numbers 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.

Committee assessment

This year's SET Committee assessment was facilitated by an external service provider. The Committee is of the opinion that it has effectively discharged its responsibilities in terms of its mandate, a view that has been affirmed by the Board.

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 Committee identified the need to improve the Company's reporting on environmental sustainability matters and this matter will receive increased attention at each meeting.

The SET Committee has fulfilled its mandate as prescribed by the Companies Regulations to the Companies Act, and there were no instances of material non-compliance to disclose.

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

Audit and Risk Committee Report

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, extend, 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, more fully describes the role, duties and function of the Audit and Risk Committee, which discharges its responsibilities on behalf of the Group.

The Audit and Risk 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 Ms Lulama Boyce, the Head of the Commercial Accounting Department at the University of Johannesburg.

Collectively, the Audit and Risk 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 2020 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.

Key focus areas

Appointment of external auditor

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. EY has been the Company's external auditor for 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 of the Company scheduled for February 2021. Coronation thanks EY for their contribution over the years and looks forward to working with KPMG.

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. 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.

Ensuring 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.
- 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 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 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 satisfied itself in terms of paragraph 3.84(g)(i) of the JSE Listings Requirements with the expertise of the CFO and is of the opinion that she has the appropriate expertise and experience to meet her responsibilities in the position, given the following:

- Regular and comprehensive financial reporting to the Board; and

- Independent discussions between the Audit and Risk Committee chairperson and external auditors regarding the effectiveness of the finance function.

The Audit and Risk Committee also considered and satisfied itself in terms of paragraph 3.84(g)(ii) of the JSE Listings Requirements 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 statements:

- The assessment of IFRS 16 and the potential impact it will have on the annual financial statements; and
- That appropriate financial reporting procedures exist and are operating effectively.

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.

Committee assessment

This year's Audit and Risk Committee assessment was facilitated by an external service provider and the Committee is of the opinion that it has effectively discharged its responsibilities in terms of its mandate; a view that has been affirmed by the Board.

Remuneration and Nominations Committee Report

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 2020 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 58).

During the period under review, the Remuneration Committee was instrumental in the appointment of three independent non-executive directors by ensuring that the proposed directors have the necessary skills and expertise to serve as directors on the Board. In addition, the Remuneration Committee mandated the Company Secretary to implement an externally facilitated Board assessment and approved the appointment of the service provider.

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.

This year’s Remuneration and Nominations Committee assessment was facilitated by an external service provider and the Committee is of the opinion that it has effectively discharged its responsibilities in terms of its mandate; a view that has been affirmed by the Board.

For further details, refer to the remuneration section of this report (→ page 80). Please see the Remuneration Committee Charter in the shareholder information section of our website: www.coronation.com.

Risk Management Report

Risks are an inherent and unavoidable part of any business. Appropriate risk management is crucial in order to protect stakeholder interests, ensure adherence to regulatory requirements, and maintain 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 management function. Risk management is a multifaceted discipline that 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.

Our 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 in the adjacent diagram.

Risk management is a continuous process that should effectively deploy 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, monitoring and reporting risk in accordance with the Risk Framework.



The risk management function comprises the Risk Officer, who reports to the Head of Global Risk and Compliance. The Risk Officer is responsible for overseeing and reporting on 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.

All Audit and Risk Committee meetings are attended by the Head of Global Risk and Compliance and the Risk Officer, each of whom deliver their reports separately at each meeting. The Head of Global Risk and Compliance and the Risk Officer also meet with the Audit and Risk Committee chairperson prior to each meeting.

The Audit and Risk Committee reports back to the Board at quarterly meetings and also escalates material matters to the Board. However, all Board members are invited to, and regularly attend, Audit and Risk Committee meetings (→ [refer to page 60](#)).

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
STRATEGIC RISKS		
Reputational risk	An action, event or transaction that may cause a loss of confidence in Coronation's integrity or otherwise damage the Coronation brand.	<ul style="list-style-type: none"> Our ownership culture, long-term strategic thinking and client-centric philosophy drive our behaviour, protect stakeholder interests and mitigate reputational risk. All forms of media are regularly monitored to enable a proactive approach to reputational risk management. Material events that may impact the Group are directly escalated to the CEO and Chairman of the Board for consideration.
Market change risk	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"> Continuous investment in the Coronation brand and our direct investor infrastructure. Affirm our commitment to our long-term investment philosophy through ongoing client engagement and demonstration of thought leadership. Frequent review of fee structures to remain competitive and stay abreast of competitor consolidation and aggregation strategies. Active participation in industry bodies to influence legislative outcomes where possible. Develop new products in response to changing client needs, subsequent to in-depth research and viability assessments.

Risk	Definition	Management and mitigation
STRATEGIC RISKS (CONTINUED)		
Compliance and regulatory risk	Non-adherence to regulations.	<ul style="list-style-type: none"> Robust compliance programme maintained to ensure compliance with all relevant regulations. Compliance, aided by specialised external compliance consultants as needed, implements and tests adherence to current regulation on an ongoing basis. Ongoing employee training and awareness on compliance-related matters and new regulatory requirements. Continuous monitoring of the regulatory pipeline for new or amended legislation potentially impacting the business. Periodic independent assurance on the adequacy and efficacy of our compliance arrangements.
Transformation risk	Not responding in a considered manner to achieving true transformation and potential non-achievement of Financial Sector Code targets.	<ul style="list-style-type: none"> The Employment Equity (EE) Committee reports to the SET Committee and: <ul style="list-style-type: none"> oversees achievement of transformational targets in accordance with our Employment Equity Plan; and ensures that policies and practices encourage sourcing and retaining talented black individuals; Significant investment in educating previously disadvantaged youth is made through our bursary, internship and graduate recruitment programmes to support the recruitment pipeline (→ refer to page 44).
Brexit risk	The effects of Brexit on our offshore operating and EU distribution model.	<ul style="list-style-type: none"> Close monitoring of the situation. Plan developed in the event of a so-called 'hard Brexit' to ensure there is no material impact on our offshore strategy.
Conduct risk	The failure of staff to comply with Coronation policies, resulting in behaviour that is detrimental to clients, illegal, unethical or otherwise damaging to Coronation's reputation.	<ul style="list-style-type: none"> 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. Employees undergo robust screening and vetting prior to being appointed. Preventative and detective controls include the following: <ul style="list-style-type: none"> independent review and segregation of duties is embedded in the control environment; ongoing staff training and awareness creation of Coronation policies. The compliance department conducts regular monitoring of adherence to key policies; key personnel are subjected to periodic criminal and credit checks; externally managed whistle-blowing hotline where staff can anonymously report any unethical behaviour 24/7; and robust operational risk assurance plan that independently tests adherence to key processes and controls.
External environmental risk	The global pandemic limits the achievement of strategic objectives and/or has negative impacts on the business.	<ul style="list-style-type: none"> Moved from a fully office-based operating model to a work-from-home model within a few weeks. Between 75% and 85% of employees are successfully working from home and have remained fully productive. The CEO has been in constant communication with employees on Coronation's approach to managing the pandemic, hygiene awareness, Company news etc. Business Continuity Plan reviewed and updated. Worked closely with our third-party service providers at the beginning of lockdown to ensure minimal disruptions to operations. Communicated with clients on the impacts of the global pandemic on their portfolios and also shared views on the longer-term impact of Covid-19.

Risk	Definition	Management and mitigation
INVESTMENT MANAGEMENT RISK		
Investment performance risk	Sustained poor investment returns relative to peer funds and benchmarks.	<ul style="list-style-type: none"> ➤ All client assets are managed by a single and stable investment team of highly skilled individuals who are unwavering in the application of our tried and tested investment philosophy, underpinned by our commitment to the long term. ➤ The investment team is subdivided into areas with specific focus per asset type and/or region, which rigorously monitor the markets and make investment decisions supported by our proprietary research. ➤ The investment team is predominantly based at our Cape Town headquarters, which facilitates continual in-person engagement, further entrenched by a daily morning meeting of all investment team members. ➤ Investment analysts have deepened their research and understanding of ESG factors. ➤ Extensive insights and thought leadership on markets and Coronation strategies are made available to clients, as well as the general public, via client communications, our website and our quarterly publication, Corospondent. Additional information on investment governance is provided (→ refer to page 17).
OUTSOURCING, OPERATIONS AND INFRASTRUCTURE RISKS		
Outsourcing risk	The inability or unwillingness of an outsourced key service provider to discharge its contractual obligations.	<ul style="list-style-type: none"> ➤ A Service Provider Management Framework has been implemented which includes: <ul style="list-style-type: none"> › robust oversight controls of key outsourced providers on a real-time and ongoing basis, including daily, weekly and monthly transaction reviews; › monitoring adherence to service level agreements, implementation of formal communication channels and escalation procedures to manage and resolve issues identified; and › conducting periodic, formal due diligences.
Risk of operational failure	Operational processes and controls may be inadequate and/or operating ineffectively, resulting in operational errors and financial loss.	<ul style="list-style-type: none"> ➤ Our Combined Assurance Model, including the annual operational risk assurance plan, delivers an ongoing assessment of the design and operating effectiveness of our control environment (→ refer to page 25).
Human resources risk	Inability to attract, motivate and prevent the departure of top talent.	<ul style="list-style-type: none"> ➤ Our people are our most valued assets. Accordingly, our work environment, culture and Remuneration Policy are designed to attract, retain and motivate great talent (→ refer to page 83). ➤ Our high-performance culture, employee ownership and personal career development opportunities are defining characteristics of our business. ➤ We maintain a bursary and internship programme (→ refer to page 44), which serves the dual purpose of developing the nation's youth and providing a workforce pipeline.
IT risk	Obsolescence of infrastructure, deficiency in integration, failures/ inadequacies in systems/ networks that may significantly disrupt core operations.	<ul style="list-style-type: none"> ➤ Technology (IT systems and data) is viewed as a key enabler of the Group's strategic objectives, and as such, a robust Information technology and systems governance framework has been implemented (→ refer to page 74). ➤ 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.

Risk	Definition	Management and mitigation
OUTSOURCING, OPERATIONS AND INFRASTRUCTURE RISKS (CONTINUED)		
Cyber security risk	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"> ➤ 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. ➤ Vulnerability management occurs regularly, whereby the server and desktop environments are scanned for threats and patches deployed as needed. ➤ Independent subject matter experts perform penetration testing on a regular basis, and the implementation of recommendations is closely monitored. ➤ Live monitoring of cyber threats and system logs occurs via our dedicated Security Operations Centre.
Data protection risk	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"> ➤ A cross-functional Information Management Steering Committee actively identifies and manages information-related risks and improves information management processes. ➤ Focus areas 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. ➤ 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.
Disaster recovery and business continuity risk	A physical event or system failure that could inhibit Coronation's ability to perform core business activities.	<ul style="list-style-type: none"> ➤ Comprehensive business continuity and disaster recovery plans are tested at least twice a year 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. ➤ The continuity and recovery plans include offsite retention of data backups and access to a recovery warm site.
Data quality risk	The inability to maintain accurate, complete, consistent and reliable data.	<ul style="list-style-type: none"> ➤ A significant amount of data has been migrated to a data warehouse. A Master Data Management process has been implemented for static and analytics data. ➤ An accelerated and extensive Data Disruption Project was initiated in 2020 – see Information Technology and Information Systems Report (→ refer to page 74).
FINANCIAL AND REPORTING RISKS		
Liquidity and capital risk	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"> ➤ Regular, detailed cash flows are prepared on a rolling prospective 12-month basis based on business forecasts to assess such risks. ➤ Liquidity and capital requirements are subject to stress tests and scenario analysis. These are reported quarterly to the Board for review and approval. ➤ There is an ongoing assessment of liquidity and capital. These requirements are reviewed by management and the Board.

Compliance Report

Overview

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

- 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 Head of Global Risk and Compliance is in direct and regular contact with the CEO, COO, CFO and senior management, and attends key management and governance meetings. In addition to attending Audit and Risk Committee meetings, the Head of Global Risk and Compliance periodically meets with the independent non-executive chairperson of the Audit and Risk Committee.

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

Compliance with laws and regulations

The Group’s directors have confirmed that, to the best of their knowledge, Coronation i) complied with the provisions of the Companies Act of South Africa, and ii) operated in accordance with its memorandum of incorporation during the year under review.

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, as 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 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	<ul style="list-style-type: none">➤ 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, ensure we remain abreast of all material regulatory developments.
Promote employee awareness and understanding of regulatory obligations/ internal policies through training and communication	We have an ongoing training and awareness programme consisting of the following elements: <ul style="list-style-type: none">➤ Compliance Induction Training;➤ Compliance Broadcasts distributed by email to all staff covering key policies and alerts;➤ e-learning and in-person training to satisfy various regulatory requirements; and➤ on-the-job training, particularly in instances where compliance requirements are embedded in daily processes.
Work in close partnership with management to develop pragmatic risk-based solutions to regulatory challenges	Representatives of all key departments, management and executive management are ordinarily physically present in one location. This significantly enhances the ability to engage in meaningful conversations and achieve considered decision-making. The Head of Global Risk and Compliance is in regular contact with the CEO, the COO and other members of management.
Ensure the Audit and Risk Committee is kept informed of material compliance risks facing the firm, including via effective formal reporting	<ul style="list-style-type: none">➤ Monthly written risk and compliance reports are provided to executive management, as well as the independent chairperson 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.➤ Prior to each Audit and Risk Committee meeting, the Head of Global 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, there has been an increase in activity by regulators, both locally and internationally. Some of our key areas of focus include:

- project implementation to cater for amendments to the Financial Intelligence Centre Act (FICA);
- project implementation to cater for the Protection of Personal Information Act;
- ensuring compliance and engaging with the Prudential Authority on the application and implementation of the Insurance Act, and, in particular, the licence conversion from the FSCA to the Prudential Authority and the 'insurance group' designation;
- the impact of Brexit and ensuring contingency plans are in place to ensure our marketing and distribution efforts in the EU are not negatively impacted;
- implementing changes to comply with the UK's 'Senior Managers and Certification Regime';
- remaining abreast of US regulatory developments impacting registered Securities and Exchange Commission 'investment advisers'; and
- monitoring and implementing initiatives as a consequence of the various ESG-related regulations that are pending in the EU.

Information Technology and Systems Report

The effective management of 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. At Coronation, IT and IS are viewed as key enablers of the Group's strategic objectives, and as such, require robust governance.

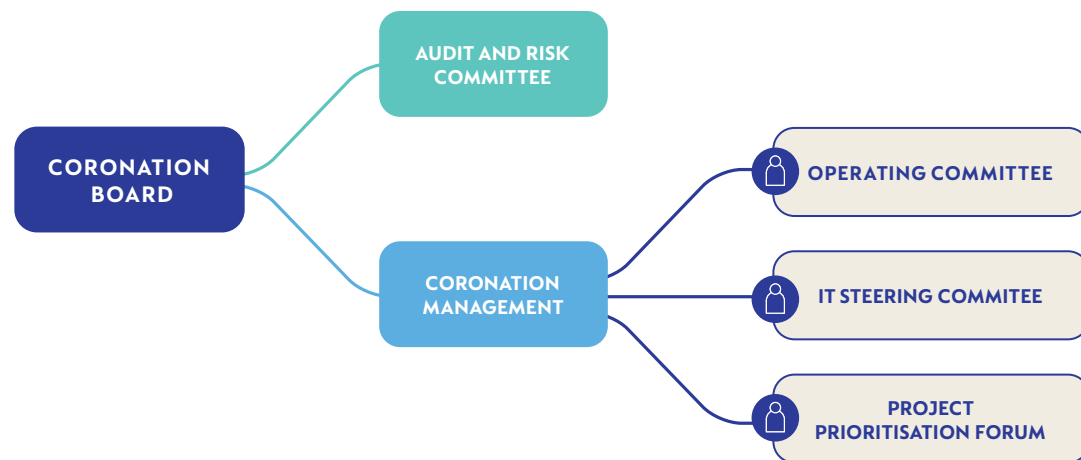
The Board has identified the following as key technology and information governance objectives:

- monitoring the alignment of the 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 of implementing and executing effective technology and information management. Management approves the direction for how IT should be managed and is supported by the Operations Committee, 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 on the following page.



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

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

Improving direct client service experience and security

We have embarked on a rewrite of Coronation Online Services (COS), our online transactional platform for our direct clients. The vision for the project is to provide an intuitive portal that reflects our long-term investment philosophy, where investors can easily find the information they need and transact in a simple and secure environment. The new site will be mobile friendly, and will also introduce a number of new features that are currently not available on our existing platform. The first major release will be in mid-2021 and existing COS users will automatically be migrated onto the new platform.

Data Disruption Project

This project is focused on delivering quality, timeous data on a scalable platform in the cloud. Data is becoming an increasingly important asset by global standards and we have set about thinking about our data differently, formalising our data definitions and introducing governance to each data point. We expect that the programme will deliver better data faster and that we will understand each data point from definition through to where it is either presented or used to derive a further data point.

This will result in both a golden source of data and a much better understanding of the impact of our data across our business, as well as what it means to each individual business area. The business risk of incorrect reporting and/or incorrect calculations will be reduced and data management will be improved, as we manage what we measure and ownership is formalised. We are taking an iterative approach to the

delivery of this programme with the first iteration currently running in parallel with production. The overall benefits of this project will be the improved speed and accuracy data to the outputs.

The management of technology risks

Coronation's key technology risks are detailed below. During the past year, there was no material breach of our IT and IS security processes. 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.

Risk	Mitigation strategies
The inability to maintain accurate, complete, consistent and reliable data	<ul style="list-style-type: none"> ➤ A significant amount of data has been migrated to a data warehouse. ➤ A Master Data Management process has been implemented for static and analytics data. ➤ An accelerated and extensive Data Disruption Project was initiated in 2020 – see details on the previous page.
Policies and processes do not adequately ensure protection of client data, including sufficient oversight of data at our service providers	<p>Improving information management and security is a never-ending journey. 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:</p> <ul style="list-style-type: none"> ➤ improving the maturity of information management processes and systems; ➤ reviewing and enhancing systems that proactively protect against common data breach vulnerabilities; and ➤ managing third-party access to data stores and emphasis on staff awareness and training. <p>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.</p>
Disaster recovery and business continuity	<ul style="list-style-type: none"> ➤ Comprehensive business continuity and disaster recovery plans are tested at least twice a year 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. ➤ The continuity and recovery plans include offsite retention of data backups and access to a recovery warm site.
Cyber security risk	<ul style="list-style-type: none"> ➤ Cyber risk is holistically managed across people, processes and technology. This includes: <ul style="list-style-type: none"> › 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. ➤ Vulnerability management occurs regularly whereby the server and desktop environments are scanned for threats and patches deployed as needed. ➤ Independent subject matter experts perform penetration testing on a regular basis, and the implementation of recommendations is closely monitored. ➤ Live monitoring of cyber threats and system logs occurs via our dedicated Security Operations Centre.
Failure to resolve data validation and integration errors between internal and external systems accurately and in a timely manner	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.
Unavailability of cloud-based solutions	Highly available connectivity is provisioned for all cloud-based services. Strong relationships are maintained with vendors and connectivity is continually monitored and evaluated. In addition, clear escalation paths are defined, and cloud due diligence assessments are performed.
Inability to recruit IS employees with the relevant skills and experience	Coronation has talent management initiatives (<i>detailed on → page 51</i>) 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.
Failure to upgrade or replace key systems and infrastructure to meet changing business needs/ business priorities	An IS 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, facilitating integration of alignment between business and technology.
Failure to secure client and other confidential data on mobile devices	Encryption and Bring Your Own Device policies are in place. Mobile devices are secured before allowing Company data consumption. Our systems also have the ability to remotely wipe 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 customer relationship management systems, improved automation and workflow;
- effective management of vendors;
- implementing a Protection of Personal Information Framework; and
- technology to complement ongoing flexible working scenarios.



Remuneration report

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.



REMUNERATION COMMITTEE CHAIRMAN’S STATEMENT

On behalf of Coronation’s Board of Directors and its Remuneration Committee, we are pleased to submit the Remuneration Report for 2020.

Coronation’s remuneration process supports the Company’s core values. It is effective in reinforcing the Company’s long-term philosophy, its commitment to put clients first, its ownership culture and the high-performance environment it strives to achieve.

Coronation’s Remuneration Policy applies to all Coronation Group employees, not just the executive directors, because it is such a material factor in defining and shaping Coronation’s culture as an organisation.

Background

In 2020, while every sector of society and the economy experienced mass disruption due to the impact of Covid-19, Coronation was fortunate to remain fully operational.

As the custodian of the savings of millions of South Africans and a selection of global institutional clients, it was imperative that Coronation achieved business-as-usual status as quickly as possible once national lockdown was implemented. Management teams and employees displayed operational resilience by swiftly adapting to remote working conditions, while continuing to offer clients and other stakeholders the service excellence to which they are accustomed.

Over and above the requirements of their respective roles, the senior leadership team ensured that all employees working remotely were equipped with the necessary equipment and skills to carry out their job functions, and that employee wellbeing measures were in place. In addition to attending to offsite employees, health and safety measures were implemented in our offices to ensure compliance with Covid-19 social distancing requirements.

Coronation continued in its role as an active corporate citizen during the pandemic through supporting third-party service providers and existing CSI projects, as well as contributing to dedicated Covid-19 relief efforts. Management also continued to play an active role engaging with regulators and industry bodies to mitigate the effects of Covid-19 and to set South Africa firmly on the road to economic recovery.

Despite the unprecedented operating environment and an extremely uncertain future, Company earnings increased by 17% and our total global employee complement increased from 337 to 339 people. The increase in profitability was due to continued long-term performance excellence across our portfolios and rigorous cost-control measures.

Since our listing in 2003, no share options have been issued to employees, 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.

External advisers

During the period under review, the Remuneration Committee employed lawyers and external remuneration 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.

Policy principles and enhancements

The Remuneration Policy is guided by the following key objectives:

- Focusing on long-term value creation and creating a culture of ownership
- Attracting, retaining and motivating highly talented and sought-after individuals
- Ensuring the structure is simple and easy to understand
- Aligning employees’ interests with that of the Company, its clients, shareholders and stakeholders
- Ensuring that good corporate governance and effective risk management are achieved

Coronation’s Remuneration Policy has remained largely unchanged and retains its simplicity. We continued to implement malus and clawback provisions to employee remuneration for 2020. 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 was applicable to certain categories of senior managers from 2019, during 2020 clawback was extended to all employees who benefit from deferred remuneration allocations. Prior to the 2020 implementation, members of the management team workshopped the rollout of these provisions to all affected employees, to ensure that they understand the provisions and the associated expectations of behaviour.

Clawback provisions continue to 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:

- information used to measure the employee’s individual performance was inaccurate;
- failure to disclose information that could result in a breach of regulations or reputational harm;
- contravention of the FAIS Fit and Proper Requirements;
- a material breach of any law in the scope of employment;
- failure to disclose a material misstatement of the Company’s financial position; and
- failure to disclose that annual financial results do not properly reflect the Company’s financial position.

The Remuneration Committee found no events or circumstances that would have made it appropriate to clawback remuneration during the year ending 30 September 2020.

Future areas of focus

The Remuneration Committee continues to review its remuneration disclosures to ensure that the information relayed to stakeholders is meaningful, while being mindful of the need to protect commercially-sensitive information.

Remuneration review

The Remuneration Committee oversees the application of the Remuneration Policy, ensuring that it is fair and responsible, and 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 expected from its stakeholders. In an extremely uncertain economic environment, the increase in emigration and subsequent drain on skills, the need to attract and retain the intellectual capital required to deliver on our client promise is critical.

In this context, our Remuneration Policy succeeded in retaining and motivating highly skilled individuals who are increasingly in demand across the world. Employee turnover across the Company was 6.2%, which is well below the industry standard. In the case of employees who receive deferred remuneration, the turnover was 5%.

In addition, in line with our transformation initiatives, Coronation succeeded in making a number of appointments to improve Company diversity. In the period under review, 80% of new hires were black and 45% female.

In support of our long-term philosophy, a four-year vesting period for deferred remuneration has once again been implemented for the current year. Vesting periods currently extend as far as 2025. 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.

Year	% of variable remuneration allocated to the long term*
2020	47
2019	51
2018	57
2017	48
2016	57
2015	55

* Deferred remuneration, restraints of trade and notice period extensions

In 2020, 86 employees had restraints of trade, ranging in duration from three to 12 months, while 293 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. All our employees are eligible to receive cash variable remuneration subject to performance, and in the current year 151 employees were eligible for deferred variable remuneration allocations, as depicted below:

Year	% of eligible Coronation employees who received deferred variable remuneration*
2020	45
2019	43
2018	44
2017	46
2016	41
2015	42

Percentages pertain to total employee complement of the relevant year.

* Coronation shares and unit trusts

We provide details of executive performance and remuneration on → [pages 88 to 90](#).

Shareholder engagement and voting

At the 2020 AGM, 79.8% of the votes cast were in favour of the Remuneration Policy and 80.1% were in favour of the Implementation Report. While the outcome was favourable, members of the management team and members of the Remuneration Committee attended numerous stakeholder engagement meetings during the year to ensure that our policies are consistent with stakeholder expectations.

Voting at upcoming AGM

Both Coronation’s Remuneration Policy and its Implementation Report thereon will again be presented to shareholders for separate non-binding advisory votes at Coronation’s upcoming AGM to be held in February 2021. In the event that 25% or more of shareholders vote against either the Remuneration Policy or the Implementation Report at the meeting, Coronation will engage with such shareholders through dialogue, requesting written submissions or otherwise, in order to address their concerns, always with due regard to meeting Coronation’s stated business objectives while being fair and responsible towards both the employees and shareholders.

Conclusion

The Remuneration Committee has ensured that remuneration supports the Company’s values and is determined fairly in accordance with performance appraisal outcomes and Company performance.

We believe that Company management and employees handled the business impact of Covid-19 commendably, with very little to no impact on client experience.

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

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 business with a structure that attracts, retains, motivates and rewards high-performance employees.

This section contains a summary of the Remuneration Policy, which is available on [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 Coronation’s values, specifically by:

- always putting clients first;
- focusing on long-term value creation;
- 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; and
- rewarding employees for outstanding and excellent performance.

This is essential if the Company’s remuneration process is to successfully support its strong performance culture and is achieved by ensuring that the remuneration structures and implementation are simple and easy to understand, and result in as few unintended consequences as possible.

Our goal is to ensure that the remuneration process is holistic enough to be able to assess performance and ensure that the rewards for excellent performance align employees’ interests with that of the broader Company and its clients and shareholders. It is therefore important that an effective balance is achieved between cash and deferred remuneration.

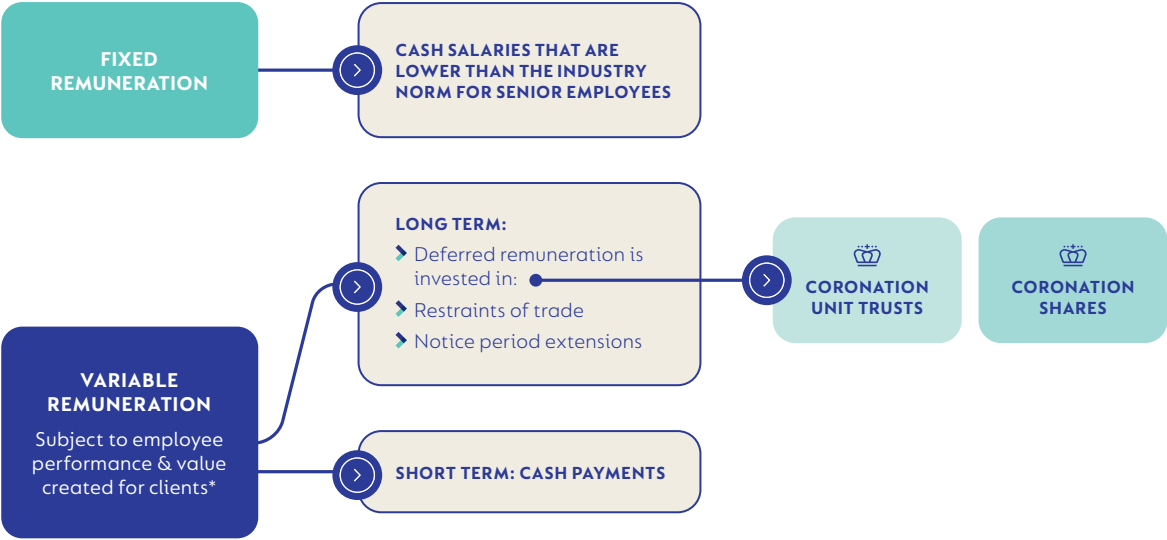
It is also critical to ensure that good corporate governance in relation to remuneration is applied and that the approach to remuneration is consistent with, and promotes, sound and effective risk management.

Remuneration principles and structure

Variable remuneration has been the cornerstone of Coronation’s success since inception 27 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.



* All forms of variable remuneration are subject to malus and clawback.

PAY MIX

FIXED REMUNERATION

Elements	Outcomes
Fixed remuneration is determined on a total cost-to-company basis, consisting of a base salary and compulsory benefits*	<ul style="list-style-type: none">➤ This is based on roles and responsibilities.➤ Senior employees receive fixed remuneration that is set well below market levels.➤ In the case of our most senior employees, the differential is material. This is capped to not only contain fixed costs but to encourage a performance-driven culture.

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

VARIABLE REMUNERATION

The variable remuneration 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 employment contracts. It was communicated to shareholders in our prospectus on listing in 2003. Variable remuneration is allocated to all employees according to their contribution. It is further subject to being in the employ of the Company and the provisions of malus and clawback.

Elements	Outcomes
Short-term: cash payments	<ul style="list-style-type: none">➤ All employees are eligible for short-term cash payments. Short-term payments are paid in two tranches: 60% in October and 40% in February the following year.
Long term: deferred remuneration	<ul style="list-style-type: none">➤ Allocated to eligible employees and vesting over multiple periods. Invested in either Coronation unit trusts or in listed Coronation shares, which are always purchased on the market.➤ This ensures alignment of employee interests with the interests of shareholders and clients.➤ A portion of these are forfeited if employees resign or sell Coronation shares.
Long term: restraints of trade and notice period extensions	<ul style="list-style-type: none">➤ In certain instances, the Remuneration Committee will secure notice period extensions or restraint of trade payments.

OTHER

Elements	Outcomes
Malus and clawback	<ul style="list-style-type: none">➤ Malus applies to all employees in respect of their cash and deferred remuneration.➤ Clawback applies to vested deferred remuneration and cash payments and to all employees who received deferred remuneration.
Termination payments	<ul style="list-style-type: none">➤ Coronation does not make termination payments unless obliged to do so under labour law or if a labour dispute has been settled.
Once-off allocations	<ul style="list-style-type: none">➤ 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.

Remuneration governance

The Coronation Board 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. The Remuneration Committee Charter is available on www.coronation.com.

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.

Conclusion

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. The Remuneration Policy and the Implementation Report are tabled at Coronation’s AGM for a separate non-binding advisory vote by Coronation shareholders.

REMUNERATION POLICY IMPLEMENTATION REPORT

Introduction

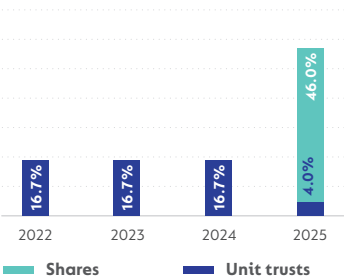
The Remuneration Committee is responsible for implementing the Remuneration Policy. It is constituted to enable it to exercise competent and independent judgement on remuneration policies and practices. The Remuneration Committee ensures that the remuneration process is fair and responsible, and accounts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

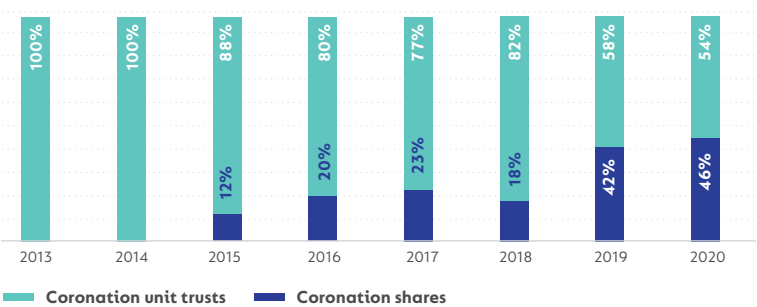
Fixed allocation

The fixed component of total remuneration increased by 11% to R383 million. This was due to inflationary adjustments and new employee appointments. As at 30 September 2020, the total global employee complement increased from 337 to 339, and there were 32 vacancies versus 22 in 2019.

VESTING PROFILE OF 2020 DEFERRED REMUNERATION ALLOCATION



INVESTMENTS HELD FOR DEFERRED REMUNERATION AS AT 30 SEPTEMBER 2020



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 increased by 15% in 2020.

For the period under review, 47% of variable remuneration was allocated to the long term, with deferred remuneration being invested in Coronation unit trusts (54%) and Coronation shares (46%). These allocations vest over a period of four years commencing in January 2022, with 50% of the allocation vesting in the first three years and the final allocation in the fourth year. Generally, the Company aims to defer a minimum of 40% of the variable remuneration allocation.

Performance measurement

The Remuneration Committee determines the awards to the executive directors based on individual performance within the context of Company performance, which is measured quantitatively and qualitatively. In some instances, the Remuneration Committee considers the disclosure of certain details on the performance measures to be commercially sensitive.

Individual key performance indicators (KPIs) of each executive director is approved at the beginning of each year, with a weighting allocated at a category level as reflected in table below:

Category weighting	Anton Pillay	Mary-Anne Musekiwa
Strategy & values	35%	20%
Operational	30%	35%
Governance	20%	25%
Clients & stakeholders	15%	20%

It should be noted that weightings have been assigned to provide an indication 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.

In assessing the performance of executive directors, the Remuneration Committee considered the following overall KPIs, which are aligned to the Company's five strategic focus areas (→ *as outlined on page 15*) and overall categories referenced above. The table on the following page provides an assessment of the KPIs that the Remuneration Committee has considered in evaluating the executive directors.

Category	Key performance indicators
Strategy and values	
Organisational culture and values	<ul style="list-style-type: none">Coronation maintained the culture and values of the business despite the challenges of the Covid-19 environment, while continuing to ensure that all spheres of the business operated efficiently. Employees were engaged both informally and more formally through regular business updates and information sessions.Our strong culture of ownership continues to be reinforced, demonstrated by the fact that employees own 25% of Coronation. We remain uncompromising about ethics and putting clients first and entrepreneurial flair remains a vital component of our cultural DNA.
Talent management	<ul style="list-style-type: none">Employee turnover remained below the industry average at 6.2%. Staff were encouraged to continue improving their skills and succession plans across the business were reviewed both internally and by the Remuneration and Nominations Committee. This resulted in the appointment of three new non-executive directors to the Board.Employee safety and wellbeing was prioritised in response to Covid-19 and they were supported in their adjustment to working remotely and coping with the challenges of the pandemic. No retrenchment or furlough strategies have been implemented.
Brand and reputation	<ul style="list-style-type: none">Coronation maintained its strong brand by monitoring key market information and the launch of a new digital advertising campaign in efforts to ensure that the Coronation brand remains a household name in the savings industry. Formal programmes monitoring brand awareness continue to yield encouraging results.
Appropriate product range	<ul style="list-style-type: none">The rolling out of international products continued in an attempt to replicate our success in South Africa in international markets. The international AUM increased from 29% to 33% of total AUM. The company continued to evaluate its product offering and enhanced the offering during the year.
Platform efficiency and technology	<ul style="list-style-type: none">No disruptions were experienced as a result of Covid-19 due to preparation and appropriate responses by the business.The Operational Risk and Control function, formed in 2019, continues to improve controls and identify inefficiencies. Technical support was provided to the transfer agency provider (INTIA), ensuring uninterrupted client service. The COS system and web upgrades were implemented successfully, as were other strategic IT-related systems.
Operational	
Cost control	<ul style="list-style-type: none">Costs were well controlled given the current economic environment, without negatively impacting the sustainability of the business, with a three-year compound annual growth rate of 9% on fixed costs.Total operating costs increased by 9% during the year which, with the exception of the investment in IT and IS, are in line with inflation. Our cost-to-income and cost-to-AUM ratios continue to outperform our competitors.Cost management was continually communicated across the business, and a cost saving culture continuously emphasised and embedded.
Investment management and performance	<ul style="list-style-type: none">Our funds continued their recovery in performance relative to benchmarks, and long-term performance continues to be excellent across the entire fund range. 95% of our institutional funds have outperformed their benchmarks since inception. 85% of our unit trust funds produced first quintile performance in their respective ASISA categories over the past 10 years.While the industry remains challenging, our equity and multi-asset funds delivered exemplary returns.Our global franchise is a compelling business in its own right, and we have enhanced our relationships with global asset allocators, and we continue to build track records in our global funds.

Category	Key performance indicators
Governance	
Governance and risk management	<ul style="list-style-type: none"> ➤ Successful reviews were conducted by various regulatory authorities in the period with no significant negative findings. An increased focus has been placed on ESG factors, evidenced by the employment of an ESG analyst within the investment team, and sustainability reporting has been enhanced in the current year. ➤ Balance sheet, capital and liquidity management is monitored on an ongoing basis to ensure sound balance sheet management and regulatory compliance. The financial control environment is monitored on an ongoing basis as a part of our comprehensive Risk Management Framework. ➤ No material governance breaches were experienced, and governance and risk reporting continue to be monitored closely. ➤ In the interests of independence, an audit firm rotation process was conducted, which resulted in the recommendation that KPMG be appointed as our auditors from 2021.
Diversity	<ul style="list-style-type: none"> ➤ Emphasis continues to be on sustaining and improving black representation in key leadership roles and the investment team. 80% of the 20 appointments made during the year were black, of whom 40% are female. In addition, three new non-executive directors, two of whom are black, were appointed. ➤ Stay interviews were conducted to gain insight into how employees experience the work environment and to assess any differences based on gender and race. In addition, the Aspiring Leaders Project was run again in 2020 to facilitate retention. ➤ The Company's B-BBEE rating was actively monitored and the Level 2 contributor status has been confirmed for 2020.
Clients/stakeholders	
Client and stakeholder relations	<ul style="list-style-type: none"> ➤ The business was purposeful and intensive in its efforts to build relationships with clients in a very challenging environment for the savings industry. Special communiques were sent to clients to maintain relationships and ensure that communication lines remained open. ➤ We conducted engagements with our shareholders regularly throughout the year and have taken their feedback into consideration. ➤ Our second annual Stewardship Report, published in June, illustrates the work we have done in this regard and affirms our commitment to corporate engagement, responsible investing and analysis of material risks. The report also includes a summary of our proxy voting activity. ➤ Continued regular and meaningful engagements were held with stakeholders such as ASISA, National Treasury, the SARB and Business Leadership South Africa to assist in finding solutions for improving economic conditions for our country and its people. ➤ Efforts to contribute to society as a whole included accelerated payment arrangements for SMEs, contributions to feedings schemes, the Solidarity Fund, as well as the initiative of matching all staff donations to Covid-19-related charitable causes.

Executive directors performance

The Remuneration Policy for executive directors is consistent with that for employees across the Company. Executive directors are considered each year for discretionary variable remuneration determined by Company and personal performance based on a range of qualitative and quantitative indicators.

Executive directors are encouraged to build up and maintain a shareholding in the Company. 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 CFO will continue to build up a shareholding in the Company. Deferred remuneration allocations typically include shares and therefore contribute to increasing employee ownership.

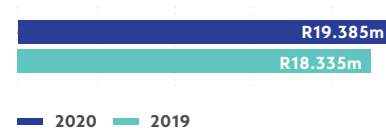
The Remuneration Committee considered qualitative and quantitative factors across the range of areas detailed above and, to assist in understanding their decision-making process, their assessment of performance is summarised on → [pages 89 to 90](#).

2020 CEO performance assessment

Mr Anton Pillay
BBusSc, CA(SA), CFA, AMP (Harvard)

Reporting to the Board, CEO Anton Pillay leads Coronation in the daily running of the Company. Assessing his performance against KPIs and qualitative measures, the Remuneration Committee decided on an allotment from the variable remuneration allocation. In the current year, his remuneration increased by 6% from the previous reporting period, demonstrating a strong alignment between his remuneration and the experience of the Company's shareholders.

SINGLE FIGURE REMUNERATION

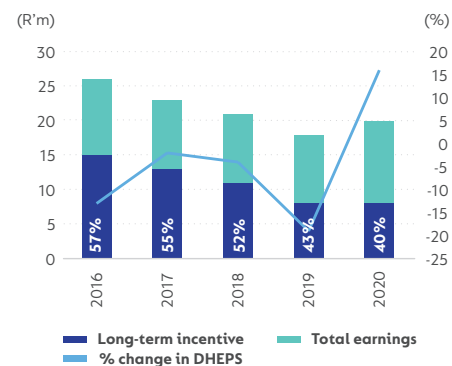


As his award opportunity is determined by his individual performance assessment and is also directly aligned with the profitability of the Company, we believe minimum, on-target and maximum performance outcomes are not applicable. His total remuneration was determined after taking into account the outcome of his performance against 2020 KPIs. The key outcomes are that he:

Strategy and values (35%)

- Sustained the culture and values of the business in the Covid-19 environment
- Ensured below-industry turnover among senior employees and stable employee turnover across the business
- Upheld Coronation's strong brand and reputation through monitoring of key marketing information and the launch of a new digital advertising campaign

CEO SINGLE FIGURE REMUNERATION HISTORY



- Extended Coronation's global franchise in a challenging environment
- Successfully implemented strategic IT-related systems and web upgrades

Operational (30%)

- Successfully preserved operational effectiveness through the challenging period
- Controlled costs despite the current economic environment and continuing the Company's track record of delivering market-leading cost metrics
- Delivered continued long-term investment performance with an improvement in short-term performance (relative to mandate benchmarks)

Governance (20%)

- Remained compliant with regulatory requirements across all jurisdictions
- Maintained strong communication and relationships with key clients and stakeholders, with an increased focus on ESG factors and sustainability reporting

Clients and stakeholders (15%)

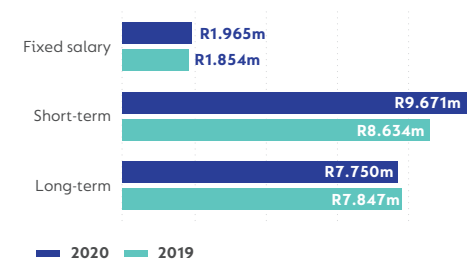
- Continued regular and meaningful engagements with clients as well as stakeholders including shareholders, ASISA, National Treasury, the SARB and BLSA throughout the year.

In addition, the CEO successfully navigated unanticipated events that were not included in his KPIs at the beginning of the year, such as the Covid-19 crisis and the resignation of the CEO of Namibia Asset Management Ltd.

After considering the above, the Remuneration Committee allocated the CEO short- and long-term variable remuneration. The long-term allocation is invested in Coronation shares and unit trusts with vesting periods of between one and four years.

The CEO has a permanent employment contract, with a notice period of 12 months and a 12-month paid restraint of trade.

REMUNERATION OUTCOME



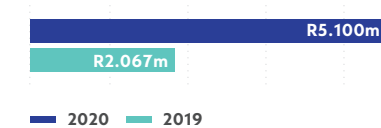
2020 CFO performance assessment

Ms Mary-Anne Musekiwa
BCom, HDip Tax, CA(SA)

Reporting to the CEO, CFO Mary-Anne Musekiwa is responsible for finance and governance across the Company. Assessing her performance against KPIs and qualitative measures, the Remuneration Committee decided on an allotment from the variable remuneration allocation.

Ms Musekiwa's remuneration for 2020 represents the full 12-month period, whereas the 2019 figures only reflect income earned between 12 June 2019, the date of her appointment as CFO, and 30 September 2019.

SINGLE FIGURE REMUNERATION



As her award opportunity is determined by her individual performance assessment and is also directly aligned with the profitability of the Company, we believe minimum, on-target and maximum performance outcomes are not applicable. Her total remuneration was determined after taking into account the outcome of her performance against 2020 KPIs. The key outcomes are that she:

Strategy and values (20%)

- Maintained an effective financial operating model and sound controls of the Group, including sound balance sheet management and kept required statutory levels of capital and liquidity across subsidiaries
- Focused on employee wellbeing during the Covid-19 pandemic, as well as the transfer of knowledge and embedding of restructured team roles to mitigate key-person risk

Operational (35%)

- Effectively managed cash resources, forex and the balance sheet
- Ensured that Coronation's cost-to-income and cost-to-AUM ratios continue to outperform leading local and international competitors
- Executed unqualified audits across the Company during the financial year upon successful completion of a remote audit due to the Covid-19 pandemic
- Effectively ran the Finance Department

Governance (25%)

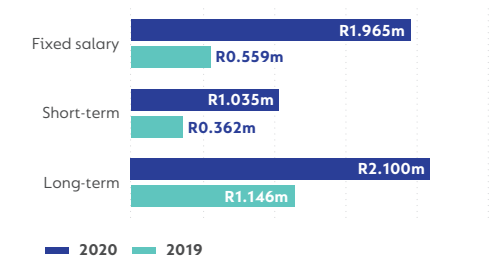
- Supported the Audit and Risk Committee in audit firm rotation process
- Ensured compliance with regulatory requirements across all jurisdictions
- Completed the Coronation carbon footprint exercise and supported corporate ESG initiatives
- Improved the B-BBEE scorecard

Clients and stakeholders (20%)

- Developed strong relationships with various key stakeholders

After considering the above, the Remuneration Committee allocated the CFO short and long-term variable remuneration. The long-term allocation is invested in Coronation shares and unit trusts with vesting periods of between one and four years.

REMUNERATION OUTCOME



The CFO has a permanent employment contract with a six-month notice period.

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 2020 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 against the February 2020 PricewaterhouseCoopers Non-Executive Directors Practices and Trends Report and were found to be reasonable when compared to those observed in the financial services sector (for companies comparable in size to Coronation).

2020 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 2020 R'000	Total 2019 R'000
Shams Pather	154	738	103	255		1 250	1 181
Alexandra Watson**	154	476	348	139	139	1 256	1 053
Judith February	154	417	103		170	844	796
Jock McKenzie	154	417	209	209		989	932
Lulama Boyce	134	363	182			679	639
Hugo Nelson	154	417	209	255		1 035	977
Madichaba Nhlumayo***	134	363	89		61	647	180
Total	1 038	3 191	1 243	858	370	6 700	5 758

* Actual non-executive directors' fees paid (excluding value added tax (VAT) where applicable)
** Alexandra Watson was appointed to the Remuneration and Nominations Committee on 3 February 2020
*** Madichaba Nhlumayo was appointed to the SET Committee on 3 February 2020

We have proposed an inflation-based increase for 2021. 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) will be submitted for approval by shareholders by way of a special resolution tabled at the AGM, in compliance with the Companies Act. Approvals for non-executive directors' fees are sought excluding VAT, and, where necessary, non-executive directors will levy VAT on their fees.

FINANCIAL REVIEW

Coronation delivered positive financial performance in a tough environment. Net profit is up 16.6% year on year, and revenue increased by 10.7%.

Condensed income statement

	2020 R MILLION	2019 R MILLION
Revenue	3 642	3 291
Total operating expenses	(1 952)	(1 797)
Profit from fund management	1 718	1 535
Profit before income tax	1 823	1 579
Income tax expense	(429)	(383)
Profit for the year	1 394	1 196
Headline earnings per share		
– basic	398.5	341.9
– diluted	398.5	341.9
Fund management earnings per share (cents)	383.1	335.5

Assets under management

Coronation continues to manage a meaningful share of assets in the local savings industry, as well as managing assets on behalf of leading international retirement funds, endowments and family offices. Closing AUM were flat versus the 2019 financial year at R569 billion (September 2019: R571 billion). This is reflective of positive performance across our funds and strategies, offsetting the impact of net client outflows in a period of tough economic conditions and negative investor sentiment.

Profits

Against the backdrop of a very challenging year, revenue for the 12 months ended 30 September 2020 increased by 10.7% to R3.6 billion (September 2019: R3.3 billion) and net profit is up 16.6%. In addition to the impact of the unrealised fair value gains on investment securities of R96 million, the increase in earnings is attributed to improved performance across our portfolios and the judicious management of operating costs. Total operating expenses are up 8.6% as compared to the 2019 financial year. Fixed costs are up 12.8%, reflecting our continuing investment into technology and information systems infrastructure, which is key to delivering on our promise of business excellence. Excluding these technology costs, operating expenses were largely in line with inflation.

Earnings

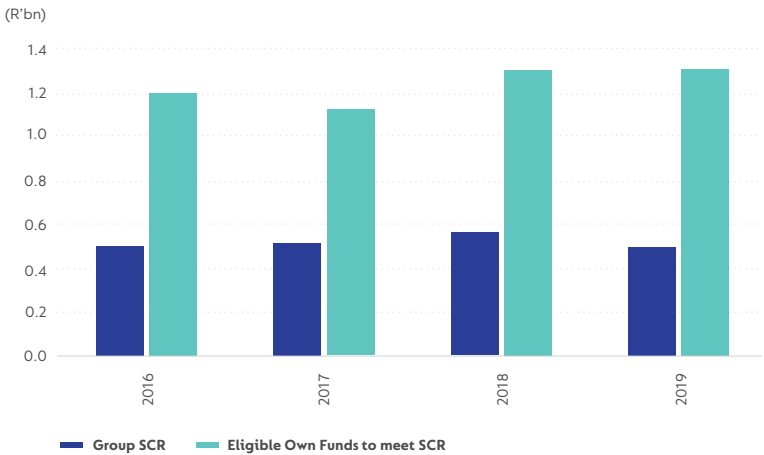
Diluted and basic headline earnings per share increased 16.6% for the period to 398.5 cents (September 2019: 341.9 cents). Fund management earnings per share increased 14.2% for the period to 383.1 cents (September 2019: 335.5 cents).

Reconciliation of fund management earnings

	2020 R MILLION	2019 R MILLION
Headline earnings attributable to ordinary shareholders	1 394	1 196
Sundry gains (condensed consolidated statement of comprehensive income)	(96)	(40)
Bonus impact at 30% and tax impact at 28%	42	18
Earnings from fund management	1 340	1 174
Earnings from fund management per share (cents)	383.1	335.5

Fund management earnings are used by management to measure operating financial performance, which excludes the net impact of fair value gains and losses, and related foreign exchange, on investment securities held by the Group. In management’s view, this measure represents the earnings from core business activities of the Group, being fund and investment management activities. The calculation of fund management earnings is based on headline earnings attributable to ordinary shareholders, adjusted for the after-tax and after-bonus impact of sundry gains or losses. These sundry gains and losses include the fair value and foreign exchange movements on the Group's investment securities.

CAPITAL ADEQUACY



* SCR – Solvency Capital Requirement

The boards of Coronation Fund Managers (the Group) and Coronation Life Assurance Company Ltd (CLA) are satisfied that the current capital and solvency position of the Group, and all of its subsidiaries, including CLA, is appropriate given the nature, scale and complexity of the business.

Solvency capital requirements (SCR) and technical provisions were continuously met during the period under review, namely the financial year ended 30 September 2020.

The key drivers of risk that are inherent in the business strategy of the Company and its subsidiaries, and which determine the risk profile of the business, are well understood by the Board, the subsidiary boards and senior management. The major risks for the Group are operational in nature and therefore the scenarios have been designed around operational failures.

The Board is of the view that the Group, and its subsidiaries, will have sufficient capital to meet the projected solvency position over the business-planning period, and under stressed conditions.

Liquidity

Coronation continues to maintain a strong liquidity position, which comprises cash and cash equivalents of R519 million (September 2019: R682 million). The decrease in cash reserves is due to the timing of disbursements. As a business that generates a significant amount of cash profits, of which we endeavour to distribute a minimum of 75% to our shareholders, we monitor our liquidity requirements carefully.



Financial performance

The consolidated financial information has been extracted from the audited financial statements. The audited financial statements are available at www.coronation.com.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2020 R MILLION	2019 R MILLION
Fund management activities		
Revenue	3 642	3 291
Other income	29	22
Total operating expenses	(1 952)	(1 797)
Other expenses	(1)	(1)
Operating expenses	(1 951)	(1 796)
Results from operating activities	1 719	1 516
Finance and dividend income	23	37
Finance expense	(30)	(24)
Share of profit of equity-accounted investees	6	6
Profit from fund management	1 718	1 535
Sundry gains	96	40
Income attributable to policyholder linked assets and investment partnerships	9	4
Net fair value gains on policyholder and investment partnership financial instruments	72	87
Administration expenses borne by policyholders and investors in investment partnerships	(63)	(83)
Profit before income tax	1 823	1 579
Income tax expense	(429)	(383)
Taxation on shareholder profits	(420)	(379)
Taxation on policyholder investment contracts	(9)	(4)
Profit for the year	1 394	1 196
Other comprehensive (losses)/income (to be recycled through profit and loss)	(3)	7
Foreign currency translation differences for foreign operations	(3)	7
Total comprehensive income for the year	1 391	1 203
Profit attributable to:		
– equity holders of the company	1 394	1 196
– non-controlling interest	–	–
Profit for the year	1 394	1 196
Total comprehensive income attributable to:		
– equity holders of the company	1 391	1 203
– non-controlling interest	–	–
Total comprehensive income for the year	1 391	1 203
Earnings per share (cents)		
– basic	398.5	341.9
– diluted	398.5	341.9

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2020 R MILLION	2019 R MILLION
Assets		
Intangible assets	1 088	1 088
Equipment	18	18
Lease asset	76	–
Investment in equity accounted investees	41	42
Deferred tax asset	151	126
Investments backing policyholder funds and investments held through investment partnerships	49 473	49 603
Investment securities	1 702	1 145
Taxation receivable	35	–
Trade and other receivables	695	448
Cash and cash equivalents	519	682
Total assets	53 798	53 152
Liabilities		
Long-term borrowings	467	150
Long-term other payables	29	–
Lease liability	108	–
Deferred tax liabilities	44	27
Policyholder investment contract liabilities and liabilities to holders of interests in investment partnerships	49 464	49 598
Short-term portion of long-term borrowings	–	150
External investors in consolidated funds	577	260
Taxation payable	–	38
Trade and other payables	804	748
Total liabilities	51 493	50 971
Net assets	2 305	2 181
Equity		
Share capital and premium	256	256
Retained earnings	1 752	1 609
Reserves	167	169
Total equity attributable to equity holders of the company	2 175	2 034
Non-controlling interest in consolidated funds	130	147
Total equity	2 305	2 181

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	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 2018	256	153	1 679	8	2 096	160	2 256
Total comprehensive income for the year							
Profit for the year			1 196		1 196		1 196
Other comprehensive income (available to be recycled through profit and loss)							
Currency translation differences		7			7		7
Total other comprehensive income		7			7		7
Total comprehensive income for the year		7	1 196		1 203		1 203
Transactions with owners recorded directly in equity							
Share-based payments				1	1		1
Dividends paid			(1 266)		(1 266)		(1 266)
Change in non-controlling interest in consolidated funds						(13)	(13)
Total transactions with owners			(1 266)	1	(1 265)	(13)	(1 278)
Balance at 30 September 2019	256	160	1 609	9	2 034	147	2 181
IFRS 16 adjustment			(13)		(13)		(13)
Profit for the year			1 394		1 394		1 394
Other comprehensive income							
Currency translation differences		(3)			(3)		(3)
Total comprehensive income for the year		(3)	1 394		1 391		1 391
Transactions with owners recorded directly in equity				1	1		1
Share-based payments			(1 238)		(1 238)		(1 238)
Dividends paid						(17)	(17)
Change in non-controlling interest in consolidated funds						(17)	(17)
Total transactions with owners	-	-	(1 238)	1	(1 237)	(17)	(1 254)
Balance at 30 September 2020	256	157	1 752	10	2 175	130	2 305

CONSOLIDATED STATEMENT OF CASH FLOWS

	2020 R MILLION	2019 R MILLION
Cash flows from operating activities		
Profit from fund management	1 718	1 535
Non-cash and other adjustments	41	7
Operating profit before changes in working capital	1 759	1 542
Working capital changes	(112)	(170)
(Increase)/decrease in trade and other receivables	(213)	17
Increase/(decrease) in trade and other payables	101	(187)
Cash flows from policyholder and investment partnership activities	(99)	54
Cash generated from operations	1 548	1 426
Interest on lease liability paid	(12)	–
Interest paid	(30)	(24)
Income taxes paid	(504)	(325)
Net cash from operating activities	1 002	1 077
Cash flows from investing activities		
Finance and dividend income	23	37
Acquisition of equipment	(12)	(12)
Net (acquisition)/disposal of investment securities	(191)	88
Net cash (utilised in)/ from investing activities	(180)	113
Cash flows from financing activities		
Increase in long-term borrowings	167	–
Dividends paid	(1 238)	(1 266)
Lease liability paid	(10)	–
Net cash utilised in financing activities	(1 081)	(1 266)
Decrease in cash and cash equivalents	(259)	(76)
Net decrease in cash and cash equivalents – shareholders	(160)	(130)
Net (decrease)/increase in cash and cash equivalents – policyholders and investment partnerships	(99)	54
Cash and cash equivalents at beginning of year	6 004	6 073
Cash and cash equivalents at beginning of year – shareholders	682	805
Cash and cash equivalents at beginning of year – policyholders and investment partnerships	5 322	5 268
Effect of exchange rate fluctuations on cash held	(3)	7
Cash and cash equivalents at end of year	5 742	6 004
Cash and cash equivalents at end of year – shareholders	519	682
Cash and cash equivalents at end of year – policyholders and investment partnerships	5 223	5 322

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.

NOTES AS SUMMARISED FROM THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The financial statements are presented in South African rand, rounded to the nearest million. They are prepared on the going concern and historical cost bases except for certain financial instruments which are stated at fair value.

The accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, with the exception of IFRS 16.

The group applied IFRS 16 Leases for the first time. IFRS 16 has resulted in leases previously classified as operating leases under IAS 17 being brought onto the statement of financial position through the raising of a right-of-use asset and lease liability. In its adoption of IFRS 16, the group used the modified retrospective approach with adjustments made to balances at the date of initial application. The group elected to make use of a single discount rate for portfolios of leases with reasonably similar characteristics. Refer to note 20.

These financial statements have been prepared under the supervision of N Salie CA(SA).

2. OPERATING SEGMENTS

Segment information is presented in respect of the group's operating segments based on geographical location. The international segment consists of internationally domiciled funds and clients as well as South African clients with international mandates.

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one period.

Each segment's operating profitability is measured based on segment results and the segment's income from fund management.

	AFRICA		INTERNATIONAL		GROUP	
	2020 R MILLION	2019 R MILLION	2020 R MILLION	2019 R MILLION	2020 R MILLION	2019 R MILLION
Segment report						
Fund management						
Segment external revenue	2 331	2 165	1 311	1 126	3 642	3 291
Segment operating expenses	(1 463)	(1 308)	(489)	(489)	(1 952)	(1 797)
Other expenses	(1)	(1)	–	–	(1)	(1)
Operating expenses	(1 462)	(1 307)	(489)	(489)	(1 951)	(1 796)
Segment result	868	857	822	637	1 690	1 494
Segment financial income/(expense)	61	61	(9)	(2)	52	59
Finance and dividend income	22	34	1	3	23	37
Other income/(expense)	39	27	(10)	(5)	29	22
Segment finance expense	(23)	(22)	(7)	(2)	(30)	(24)
Share of profit of equity-accounted investees	6	6	–	–	6	6
Segment income from fund management	912	902	806	633	1 718	1 535

NOTES AS SUMMARISED FROM THE CONSOLIDATED FINANCIAL STATEMENTS

2. OPERATING SEGMENTS (continued)

	AFRICA		INTERNATIONAL		GROUP	
	2020 R MILLION	2019 R MILLION	2020 R MILLION	2019 R MILLION	2020 R MILLION	2019 R MILLION
Segment report (continued)						
Sundry gains					96	40
Income attributable to policyholder linked assets and investment partnerships					9	4
Net fair value gains on policyholder and investment partnership financial instruments					72	87
Administration expenses borne by policyholders and investors in investment partnerships					(63)	(83)
Profit before income tax					1 823	1 579
Income tax expense					(429)	(383)
Taxation on shareholder profits					(420)	(379)
Taxation on policyholder investment contracts					(9)	(4)
Profit for the year					1 394	1 196
Attributable to:					1 394	1 196
– equity holders of the company					–	–
– non-controlling interest					–	–
Profit for the year					1 394	1 196
Segment assets	1 901	1 383	1 068	910	2 969	2 293
Lease asset	–	–	–	–	76	–
Intangible assets	–	–	–	–	1 088	1088
Investment in equity-accounted investee	–	–	–	–	41	42
Deferred tax assets	–	–	–	–	151	126
Investments backing policyholder funds and investments held through investment partnerships	–	–	–	–	49 473	49 603
Total assets	1 901	1 383	1 068	910	53 798	53 152
Segment liabilities	1 698	1 075	179	233	1 877	1 308
Lease liability	–	–	–	–	108	–
Deferred tax liabilities	–	–	–	–	44	27
Policyholder investment contract liabilities and liabilities to holders of interests in investment partnerships	–	–	–	–	49 464	49 598
Taxation payable	–	–	–	–	–	38
Total segment liabilities	1 698	1 075	179	233	51 493	50 971

Major customers

None of the group's customers individually represent revenue in excess of 10% of the group's total revenue.

3. LONG-TERM BORROWINGS

	2020 R MILLION	2019 R MILLION
Balance at beginning of year	150	300
Received during the year	148	–
Interest accrued	27	21
Interest paid	(27)	(21)
Reclassified as long-term	150	–
Reclassified as short-term	–	(150)
Foreign exchange gains	19	–
	467	150
Short-term portion of long-term borrowings		
Balance at beginning of year	150	–
Reclassified as long-term	(150)	–
Reclassified as short-term	–	150
	–	150

The cumulative redeemable preference shares with dividends linked to prime had capital repayments of R150 million due on 1 April 2020 and 1 April 2021 as separate tranches. These two tranches were combined into one tranche as at 1 April 2020 with the capital payment of R300 million now due on 1 April 2025. The refinanced tranche calculates dividends at a fixed rate payable quarterly.

Additional long-term borrowings at year-end reflect a new term loan facility of R167 million (US\$10 million, as at 30 September 2020) with Standard Bank of South Africa Limited (Standard Bank) entered into on 18 October 2019 for the purposes of funding for a Common Contractual Fund (i.e. CCF, refer to note 23) issued by Coronation Global Fund Managers (Ireland) Limited. The loan facility is at a fixed rate and capital repayment is due on 17 October 2024.

NOTES AS SUMMARISED FROM THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK DISCLOSURES – FAIR VALUE HIERARCHY

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 R2 286 million (2019: R1 705 million) 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
September 2020				
Investments backing policyholder funds and investments held through investment partnerships	42 459	4 728	–	47 187
Investment securities	1 692	–	10	1 702
	44 151	4 728	10	48 889
Policyholder, external investor and investment partnership liabilities	–	47 755	–	47 755
September 2019				
Investments backing policyholder funds and investments held through investment partnerships	43 018	4 880	–	47 898
Investment securities	1 141	–	4	1 145
	44 159	4 880	4	49 043
Policyholder, external investor and investment partnership liabilities	–	48 153	–	48 153

During the current reporting period, it was determined that transfers between levels of the assets and liabilities held at fair value occurred. A net amount of R126 million in debentures were transferred from Level 2 to Level 1 as they 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. PRINCIPAL SUBSIDIARIES, ASSOCIATES AND UNCONSOLIDATED STRUCTURED ENTITIES – CONSOLIDATED STRUCTURED ENTITIES

A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. Structured entities are generally created to achieve a narrow and well-defined objective with restrictions around their ongoing activities.

Depending on the group’s power over the activities of the entity and its exposure to and ability to influence its own returns, it may consolidate the entity. In other cases it may sponsor or have exposure to such an entity but not consolidate it.

The group has no equity interest in the following limited liability partnerships, which are consolidated based on control:

- Coronation Granite Fixed Income Fund Partnership
- Coronation Granite Plus Fixed Income Fund Partnership
- Coronation Multi-Strategy Arbitrage Fund Partnership
- Coronation Presidio Fund Partnership

Details regarding the group’s contractual commitments to these partnerships are included in note 21.

The group consolidates both the Coronation Global Frontiers Fund and the Coronation Global Equity Select [ZAR] Feeder Fund due to the seed capital invested in the funds relative to the total fund size being significant. In the current year the group seeded the Coronation Global Sustainable Equity Income Fund and is the largest unitholder of the fund. The group’s interest in the Coronation Global Frontiers Fund is 57% (2019: 53%); its interest in Coronation Global Equity Select [ZAR] Feeder Fund is 40% (2019: 55%) and its interest in the Coronation Global Sustainable Equity Income Fund is 100%.

6. COMMITMENTS, CONTINGENT LIABILITIES AND GUARANTEES

Guarantees

Coronation Management Company (RF) Proprietary Limited is the disclosed partner in the Coronation Granite Fixed Income, the Coronation Granite Plus Fixed Income, the Coronation Multi-Strategy Arbitrage and the Coronation Presidio Limited Liability partnerships. As the disclosed partner, these companies are liable to third parties for all the liabilities of the partnership over and above the capital contributions, and future income which accrues to the partners as well as the retained and current profits and assets of the partnerships. The other partners have no further liability for further contributions, or to incur any liability to any third party over and above their contributions. Based on current performance the probability of payment is insignificant.

All portfolio risk inherent within the investment partnerships is managed within the general risk parameters and controls as set out in the Risk Management section of the group’s integrated report. In addition, Coronation Investment Management (South Africa) group stands guarantor for the term loan facility of US\$10 million with Standard bank (refer to note 17).

Contingent liabilities: South Africa 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 had been set down in the Western Cape Tax Court for December 2020, however, this has subsequently been revised to February 2021. Any amounts involved are currently not considered capable of reliable estimation.

NOTES AS SUMMARISED FROM THE CONSOLIDATED FINANCIAL STATEMENTS

7. EARNINGS PER SHARE

	2020 CENTS	2019 CENTS
BASIC EARNINGS PER SHARE (CENTS)		
Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted number of ordinary shares in issue during the year.	398.5	341.9
	NUMBER '000	NUMBER '000
Issued ordinary shares at beginning of year	349 799	349 799
Weighted average number of ordinary shares in issue during the year	349 799	349 799
Adjusted weighted number of ordinary shares potentially in issue	349 799	349 799
	R MILLION	R MILLION
Earnings attributable to shareholders	1 394	1 196
Non-controlling interest	–	–
Earnings attributable to ordinary shareholders	1 394	1 196
	2020 CENTS	2019 CENTS

Diluted earnings per share (cents)

Diluted earnings per share is calculated by dividing the earnings attributable to ordinary shareholders, adjusted for the effects of dilutive ordinary potential shares, by the weighted average number of shares in issue during the year plus the weighted average number of ordinary shares potentially in issue.	398.5	341.9
	R MILLION	R MILLION
Earnings attributable to shareholders	1 394	1 196
Diluted earnings attributable to ordinary shareholders	1 394	1 196

Headline earnings per share (cents)

Headline earnings per share has been calculated in accordance with the circular titled Headline Earnings issued by the South African Institute of Chartered Accountants

	PROFIT BEFORE TAX R MILLION	TAX R MILLION	NON- CONTROLLING INTEREST R MILLION	EARNINGS ATTRIBUTABLE TO ORDINARY SHAREHOLDERS R MILLION	PER SHARE CENTS
2020					
Per the financial statements	1 823	(429)	–	1 394	398.5
Headline earnings	1 823	(429)	–	1 394	398.5
Diluted headline earnings per share (cents)				1 394	398.5
2019					
Per the financial statements	1 579	(383)	–	1 196	341.9
Headline earnings	1 579	(383)	–	1 196	341.9
Diluted headline earnings per share (cents)				1 196	341.9

	2020 CENTS	2019 CENTS
DIVIDENDS PER SHARE		
Dividend distribution		
– interim: declared 26 May 2020 (2019: 17 May 2019)	178	165
– final: declared 24 November 2020 (2019: 15 November 2019)	205	176
Total dividend	383	341

8. RECONCILIATION OF FUND MANAGEMENT EARNINGS

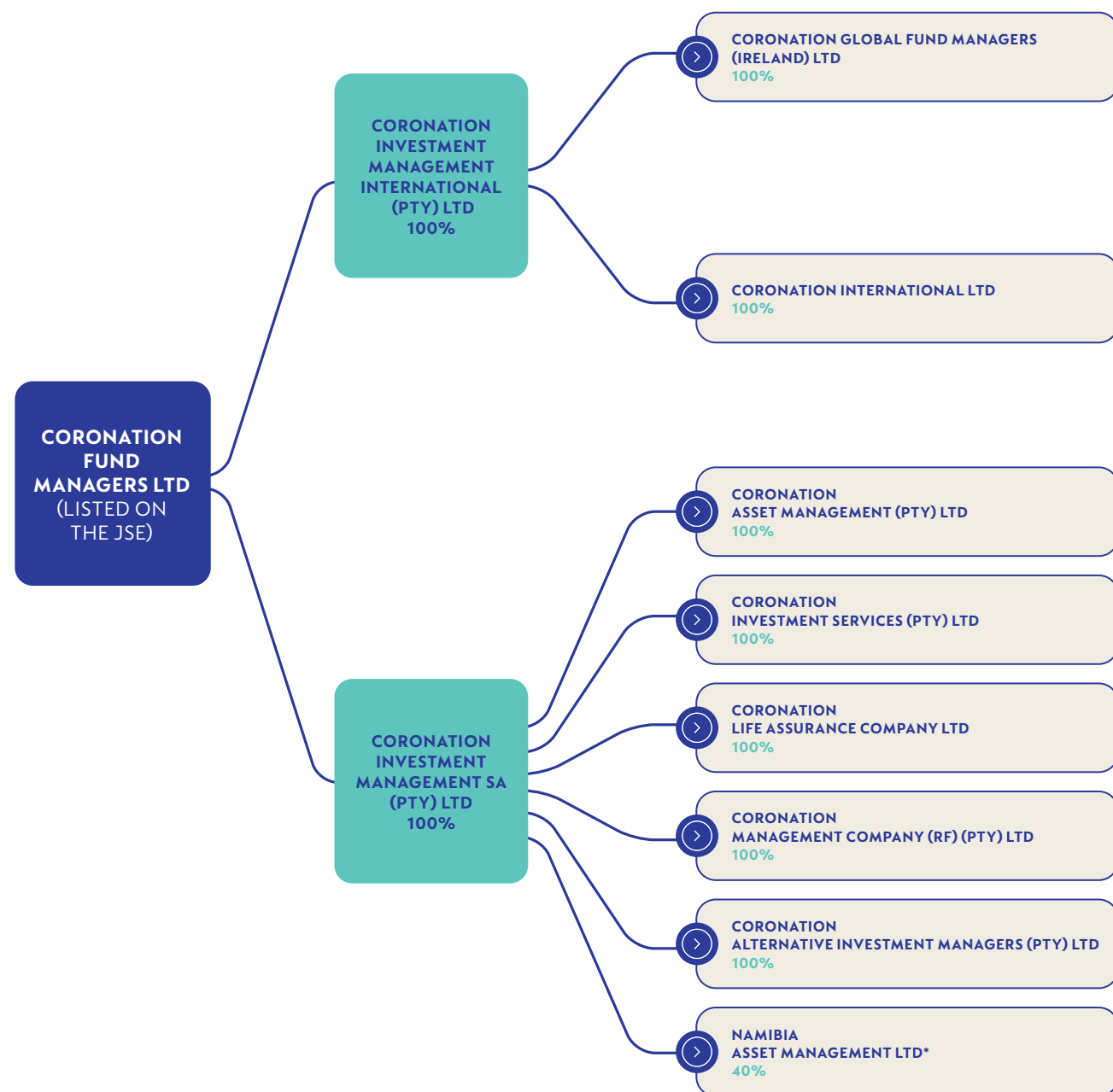
Fund management earnings are used by management to measure operating financial performance, which excludes the net impact of fair value gains and losses and related foreign exchange on investment securities held by the group. In management's view, this measure represents the earnings from core business activities of the group, being fund and investment management activities.

The calculation of fund management earnings is based on headline earnings attributable to ordinary shareholders, adjusted for the after tax and after bonus impact of sundry gains or losses disclosed in the consolidated statement of comprehensive income. These sundry gains and losses include the fair value and foreign exchange movements on investment securities disclosed in the consolidated statement of financial position.

	2020 R MILLION	2019 R MILLION
Headline earnings attributable to ordinary shareholders	1 394	1 196
Sundry gains (consolidated statement of comprehensive income)	(96)	(40)
Related tax (28% at capital gains inclusion rate) and bonus impact	42	18
Earnings from fund management	1 340	1 174
Fund management earnings per share (cents)	383.1	335.5
Diluted fund management earnings per share (cents)	383.1	335.5



Corporate structure



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



Company information

Annual general meeting:
Wednesday, 17 February 2021 at 14:00
Share code (ordinary shares): CML
ISIN: ZAE000047353
LEI: 3789001BC9A294E6FF77

Board of Directors
Executive directors:
Mr Anton Pillay (CEO)
Ms Mary-Anne Musekiwa (CFO)

Non-executive directors:
Mr Shams Pather (Chairman)*
Mrs Lulama Boyce*
Ms Judith February*
Mr Jock McKenzie*
Dr Hugo Nelson*
Prof Alexandra Watson*
Mrs Madichaba Nhlumayo*
Mr Neil Brown¹*
Mr Phakamani Hadebe¹*
Mr Saks Ntombela¹*

¹ Appointed to the Board 19 October 2020, subject to approval by shareholders at the 2021 AGM.
* Independent non-executive directors.

Company Secretary
Ms Nazrana Hawa

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Cape Town

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Claremont 7735

Transfer secretaries
Computershare Investor Services (Pty) Ltd
Rosebank Towers
15 Biermann Avenue
Rosebank 2196
Private Bag X9000, Saxonwold 2132

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

KPMG Inc.*
The Halyard
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Cape Town 8001

* Appointed as auditors as from the year ending 30 September 2021, subject to approval by shareholders at the 2021 AGM.

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Disclaimer – Integrated Report

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For Unit Trusts: All underlying price and distribution data is sourced from Morningstar. Performance figures are quoted after the deduction of all costs (including manager fees and trading costs) incurred within the unit trust. Note that individual investor performance may differ as a result of the actual investment date, the date of reinvestment of distributions and dividend withholding tax, where applicable. Annualised performance figures represent the geometric average return earned by the unit trust over the given time period. Where foreign securities are included in a unit trust it may be exposed to macroeconomic, settlement, political, tax, reporting or illiquidity risk factors that may be different to similar investments in the South African markets. Excessive withdrawals could place the unit trust under liquidity pressures, in such circumstances a process of ring-fencing of redemption instructions and managed pay-outs over time may be followed. A fund of funds unit trust invests in collective investment schemes that levy their own fees and charges, which could result in a higher fee structure for the unit trust. A feeder fund unit trust invests in a single fund of a collective investment scheme, which levies its own charges and could result in a higher fee structure for the feeder fund. Coronation Management Company (RF) (Pty) Ltd is a Collective Investment Schemes Manager approved by the Financial Sector Conduct Authority in terms of the Collective Investment Schemes Control Act. Unit trusts are traded at ruling prices set on every day trading. Forward pricing is used. Additional information such as fund prices, brochures, application forms and a schedule of fees and charges is available on our website, www.coronation.com.

For Fund/Strategy Investments: Performance figures are quoted gross of management fees after the deduction of certain costs incurred within the particular fund.

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