



Chairperson's statement

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As the recently appointed Chairperson of Coronation’s Board, I am writing this statement on my behalf and also on behalf of our former Chairperson Mr Shams Pather, who served in this role until his sad passing in July this year. Shams was not only an industry icon, philanthropist, trusted colleague and exemplary Chairperson, but also a friend. His grace, guidance and experience are sorely missed by all of us on the Board and everyone at Coronation. In the words of fellow Board member and former Coronation CEO Dr Hugo Nelson, “I have never known the Coronation Board without Shams. When I reflect on what it means to be a director I think of Shams”.

From my perspective, I certainly have very large shoes to fill, but along with my fellow directors and Coronation’s management team, I will strive to build on Shams’ legacy of deep integrity, insight and efficacy. I am grateful to have the opportunity to assume this oversight role and to Shams for his outstanding contribution. The Board has also said farewell to Mr Jock McKenzie, who resigned in June 2021. Jock’s significant experience and expertise with respect to the business were invaluable, and we thank him for his contribution and wish him well.

It is now the second consecutive reporting year where Covid-19 and the associated human tragedy and socioeconomic impacts remain top of mind. There is no part of the global community that remains unscathed, and we have been called on to be agile, resilient and compassionate, while experiencing varying degrees of loss, isolation and separation. I extend my condolences to all of you who have lost loved ones or experienced the traumas of business closures, job losses and the associated emotional and financial stresses. My sympathies also go out to people who have experienced the varied effects of long Covid and the worrying uncertainty that comes from no precedent of duration or recovery. It is indeed a time of ‘unknown unknowns’.

There are still many obstacles on the path to recovery – both material and psychological. Ultimately, it will come down to increased vaccine rollouts to dampen the effects of further waves and ensure economies can fully open and productivity levels return to normal.

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The local economic environment

At home, the pandemic continued to exacerbate existing systemic challenges during the reporting period, as businesses folded, unemployment soared and poverty became more pronounced. The key question remains – how do we kickstart growth recovery to deliver on the socioeconomic commitments of the National Development Plan? The resumption of rolling blackouts has placed a further stranglehold on the already ailing economy, and the decay at Eskom and other State-owned enterprises is a source of grave national concern.

However, we also saw the shuffling in of a new Cabinet, including a new Finance Minister, and a clear policy path including increased investment in energy, which should provide an underpin to longer-term growth and productivity gains.

Finance Minister Enoch Godongwana delivered his maiden Medium-Term Budget Policy Statement in November. Loadshedding, political shifts and concerns about a pending fourth wave of Covid-19 infections meant that he needed to walk a narrow line between the near-term improvement in the fiscal position due to better-than-expected revenue collection and several long-term and mostly unquantifiable expenditure demands. While big-ticket items were deferred to the February 2022 budget, Minister Godongwana displayed a pragmatic and cautious approach to establishing fiscal sustainability.

The local government elections in November resulted in a notable shift in the balance of power as the ruling party and the main opposition lost out to smaller parties, and an era of coalition politics began. Time will tell whether or not this is a positive development, but if it means increased accountability and the inclusion of greater cognitive diversity in local government, it could lead to forward momentum.

The global economic environment

The global economic recovery continues, albeit unevenly, with a meaningful divergence in policy support and vaccine rollouts across developed and emerging economies. Although the economic outlook is positive, it needs to be seen in the context of elevated risk and high asset prices. There remains the risk of new Covid-19 variants, enduring inflation and the commencement of the withdrawal of unprecedented monetary and fiscal policy.

2021 commenced with the inauguration of President Joe Biden, which reinstated some hope for reform in the US, but geopolitical developments are worrying. NATO has firmly re-emerged in the global narrative as harsh schisms re-form along the old East-West line. Conditions are increasingly reminiscent of the Cold War and highlight the upsurge of right-wing isolationist sentiment that has become common across the globe.

Both China and Russia are aggressively re-asserting and tightening State control measures and flexing their military might. Anti-trust regulations and private data capture have had significant impacts on Chinese businesses, and hence global portfolio holdings. As always, the Board and investment team are vigilant in this regard.

Counter to this, in what can only be called a modern miracle of science, we have seen the active demonstration of shared value in the business sector as unprecedented collaboration among pharmaceutical companies and scientists lead to the development of viable vaccines and their rollout with impressive speed. Similarly, governments across the world continue the momentum as they work hard to ensure the current vaccine inequity gap narrows.

Of note is the recently convened COP26 climate conference in Glasgow, possibly the most seminal climate conference since the Paris Agreement was signed in 2015. Tensions were high as deadlock was reached on the final day of the summit, pushing it into overtime. While the outcome is not as robust as it could have been, and we are still far off from capping temperature increases, we did see more of a commitment to ending the use of coal.

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What vaccine inequity, divergent policy measures and the escalating climate crises serve to highlight is that it is crucial that the gap between developed and emerging economies is narrowed to the benefit of us all.

Governance and compliance

In August, following my appointment as Chairperson, Mr Saks Ntombela assumed the role of lead independent director. The Board also took the decision to separate the Audit and Risk Committee into separate committees. The Audit Committee now comprises Ms Lulama Boyce (chairperson), Mr Saks Ntombela, Mrs Madichaba Nhlumayo and Dr Hugo Nelson; while the Risk Committee membership includes Mr Saks Ntombela (chairperson), Ms Lulama Boyce, Mrs Madichaba Nhlumayo, Dr Hugo Nelson and Mr Neil Brown.

A trend globally is an increasingly onerous regulatory environment – with focus increasingly on ESG-related matters, specifically corporate governance, diversity and inclusion, and climate change. Coronation is working with the relevant local and international regulators and consultants to understand how we can best comply with the letter and the spirit of new regulations.

We will continue to ensure our Board sustains the skills and diversity that are essential for effective oversight of a large, global asset manager and as promised in last year’s report, the Board undertook training with respect to its role in mitigating the risks of climate change on Coronation.

Active corporate citizenship

One of the aspects of Coronation’s corporate citizenship actions that I greatly admire is management’s hands-on approach to corporate citizenship and social investment. Senior leaders across the business roll up their sleeves and get directly involved in various initiatives, and a significant number of employees are active in independent charity work.

In what was a special and memorable experience, I joined the Coronation team at FoodForwardSA’s warehouse to help pack food parcels. It is always heartening that, in the midst of despair, there are exceptional people working selflessly to help those in need, and both organisations exemplify compassion and responsibility. It is a quintessential South African trait that citizens rise to the occasion to uplift one another when times are tough.

Outlook

Uncertainties abound across the world, with many outliers in play. Coronation and its Board will continue to apply our strategic goals to guide the direction of the business, as we have for the past almost three decades.

A note of gratitude

In the spirit of Shams and his unfailing courtesy, and through my own experience, I would like to express my gratitude: to our clients for their ongoing trust, to Coronation management and employees for their commitment and dedication under enormously trying circumstances and to my fellow Board members for their diligence and wise counsel.