



Integrated Annual Report 2019

The harmonious art of business





Welcome to
Sentinel Retirement Fund
'Your retirement — our passion'

Vision

To position and grow Sentinel to continually provide sustainable retirement solutions to all its members in a socially responsible manner.

Mission

Sentinel Retirement Fund is dedicated to providing innovative and sustainable retirement solutions to all its members by delivering cost-effective, superior investment returns and quality service.

We will continue to be pioneers in the industry for the benefit of stakeholders on our lifelong journey together.

Our values

- ◆ We act with prudence and reasonable care
- ◆ We act with skill, competence and diligence
- ◆ We act in the best interest of all our members and beneficiaries
- ◆ We abide by applicable laws, regulations and rules
- ◆ We communicate with all stakeholders in a timely, transparent and accurate manner
- ◆ We review on a regular basis the efficiency and effectiveness of our success in meeting our principal goals.

Business activities and services:



Administration



Investment management



Participant services



Employee/
employer
agreement



Employer payroll
department



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Our strategy is based on four pillars:

Consistently competitive investment returns 

Competitive costs 

Top-class governance 

First-rate administration 

As supported by our four capitals:



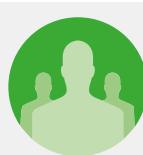
Financial capital

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Intellectual capital

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Human capital

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Social and relationship capital

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Fraud and ethics reporting

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Feedback on report

We welcome your feedback on this report. Please email your comments to info@sentinel.za.com



About this report

Forward looking statements

All forward looking statements are based on beliefs and assumptions relative to information currently available to Sentinel. There can be no assurance that such statements will be accurate and actual results and future events could differ materially from those anticipated in such statements. For purposes of this report, the words 'believe', 'anticipate', 'estimate', 'expect', 'intend' and similar expressions are intended to identify forward looking statements. Forward looking statements are subject to certain risks, uncertainties and assumptions. These risks include, but are not limited to, general market conditions, our ability to manage growth, performance and changes in the regulatory environment, among others. Sentinel Retirement Fund undertakes no obligation to update forward looking statements to reflect subsequently occurring events or circumstances or to reflect unanticipated events or developments.

Our eighth integrated annual report

This is our eighth integrated annual report. We acknowledge that the integrated reporting process is a journey, and this is a further step along the road to providing a balanced, accurate and clear account of our performance relative to our strategy.

The report covers the activities of Sentinel Retirement Fund (Sentinel or the Fund) for the year ended 30 June 2019, and follows our seventh integrated annual report published for the year ended 30 June 2018.

Report scope and boundary

This integrated annual report provides feedback regarding the financial, operational and non-financial performance of the Fund, with the intention of providing a better understanding of the growth and value we created during the past year.





Reporting principles and approach

The information provided in this integrated annual report has been guided by best practice requirements. These include the:

- ◆ Pension Funds Act (No 24 of 1956)
- ◆ King IV Code™*
- ◆ International Integrated Reporting Council's (IIRC) <IR> Framework
- ◆ Regulatory Reporting Requirements for Retirement Funds in South Africa
- ◆ Circular PF130 issued by the Registrar of Pension Funds.

Statement of the Board of Fund

The Board of Fund (Board) recognises its responsibility to ensure the integrity of the Sentinel Retirement Fund integrated annual report. The Board has therefore applied its mind to the integrated annual report and in the opinion of the Board, the integrated annual report addresses all material issues, and fairly presents the integrated performance of the Fund and its impacts.

The regulatory financial statements of the Fund are available on our website at www.sentinel.za.com.

Assurance

The Fund applies combined assurance principles with four levels of defence:

- ◆ Management of the Fund oversees the daily internal controls and implements the Board risk management strategy
- ◆ The internal legal, risk and compliance function ensures that the Fund adheres to the requirements of applicable legislative frameworks. External legal counsel is used when deemed appropriate.
- ◆ PwC, our internal auditors, assess the effectiveness of the internal controls and risk management, while the Audit and Risk Committee of the Fund applies a coordinated approach to the combined assurance provided. Sentinel's Board serves as the ultimate fiduciary
- ◆ As our external auditor, Deloitte, express an opinion on our regulatory annual financial statements. The Fund's actuary, Andre Pienaar of Alexander Forbes, provides assurance on the solvency and sustainability of the pensioner and risk reserves.



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Key highlights

Contributions

R3,0 billion
annual contributions
by **35 096**
members

Pension payments

R4,5 billion
annual pension
payments to
34 088
pensioners and
beneficiaries

Shareholder engagement activities

40 companies
engaged

Assets

R82,7 billion
total assets at
30 June 2019

Pension increase

3,6% pensioner
increase awarded

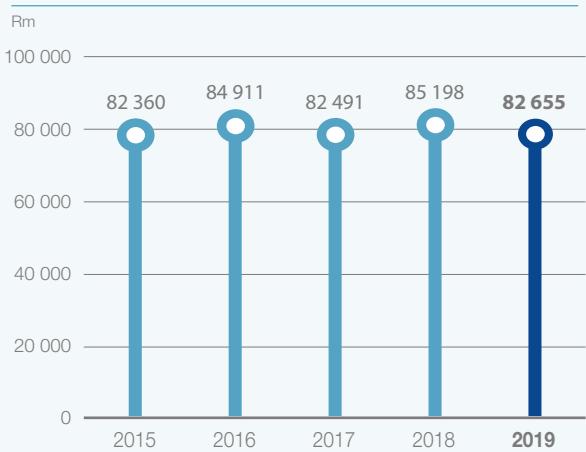
Shareholder engagement activities

Proxy voting
3 065
resolutions voted
on 513 resolutions
opposed

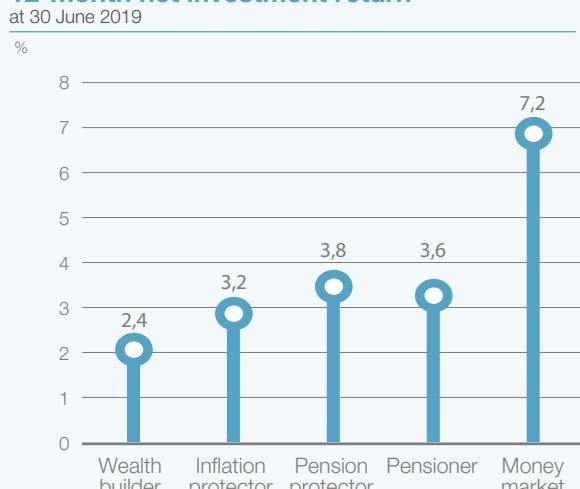




Total assets



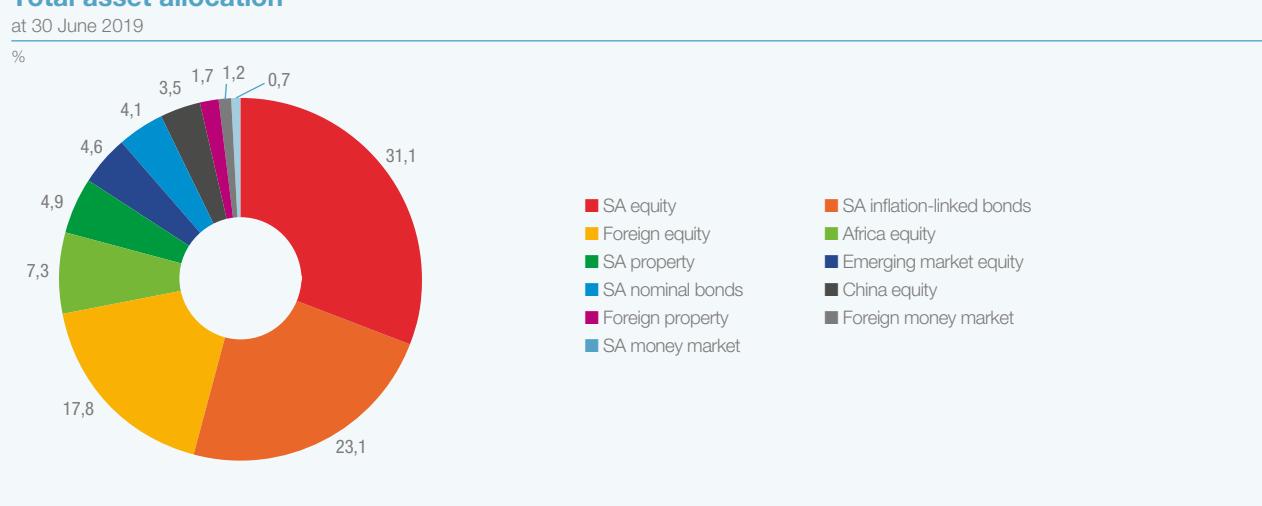
12-month net investment return



Pension increase versus inflation



Total asset allocation



Who we are



Through its responsible investment strategy that incorporates sustainability considerations such as economic, social and governance (ESG) factors, and the provision of excellent retirement funding benefits, the Fund makes a meaningful contribution to the communities and markets it operates in.

Originally founded as the Mine Officials Pension Fund, Sentinel has since grown into one of the largest self-administered, defined contribution, umbrella funds in South Africa actively managing assets of approximately R82,7 billion (as at 30 June 2019).

Sentinel is registered in terms of the Pension Funds Act (No 24 of 1956) and the Income Tax Act (No 58 of 1962) under Financial Sector Conduct Authority registration number 12/8/1215 and SARS approval number 18/20/4/30800.

The Fund is structured as a type 'A' umbrella pension fund that also provides in-house self-insured risk benefits (death and disability) and monthly pensions. It is administered by its employees, who are accountable to its Board of Fund.

Currently the Fund has 38 574 contributory and paid-up members and 98 active participating employers. Monthly pensions are paid to 34 088 former members and beneficiaries.

Sentinel is managed from its head office in Parktown, Johannesburg, supported by comprehensive client services provided from five client service centres situated in Parktown, Welkom, Klerksdorp, Carletonville and Emalahleni, as well as a dedicated client contact centre.

Sentinel Retirement Fund has a proud heritage of providing retirement fund benefits dating back to 1946.

Ethics Charter

The way we do things

We exist because of our members and participating employers.

We are therefore first and foremost accountable to those who place their trust in us.

Our integrity gives them peace of mind and security. We never underestimate the scope of this responsibility.

We manage the assets entrusted to us with care, diligence and responsibility. In this we anticipate and manage risks that we could reasonably be expected to identify.

We continuously engage with our stakeholders in a direct, honest and transparent manner. We listen to our stakeholders and respond to their legitimate needs. We make decisions regarding these expectations in a fair and consistent way.

Our income, expenditure and investments are managed with great care and responsibility. We take care of those resources entrusted to us as if they were our own. We know that proper use of organisational time, money and property is non-negotiable. Any real or potential conflicts of interest of our Board, management, employees and service providers are identified, declared and managed in a responsible way.

We recognise that it is through people that organisations attain trustworthiness. As Board members, management and employees of this organisation we view our responsibilities with the dedication it commands. We treat each other and those we interact with by exercising respect and compassion. It is our obligation to invest in our skills to enable us to continually instil confidence and trust in those whose lives we touch. We acknowledge that it is through teamwork that respect and trust is earned.

We care about our employees. We acknowledge their contribution and sacrifices by compensating them in a fair and equitable manner.

We have a right to hold our service providers and suppliers to the highest ethical standards. Our reputation is reliant on their reputation.

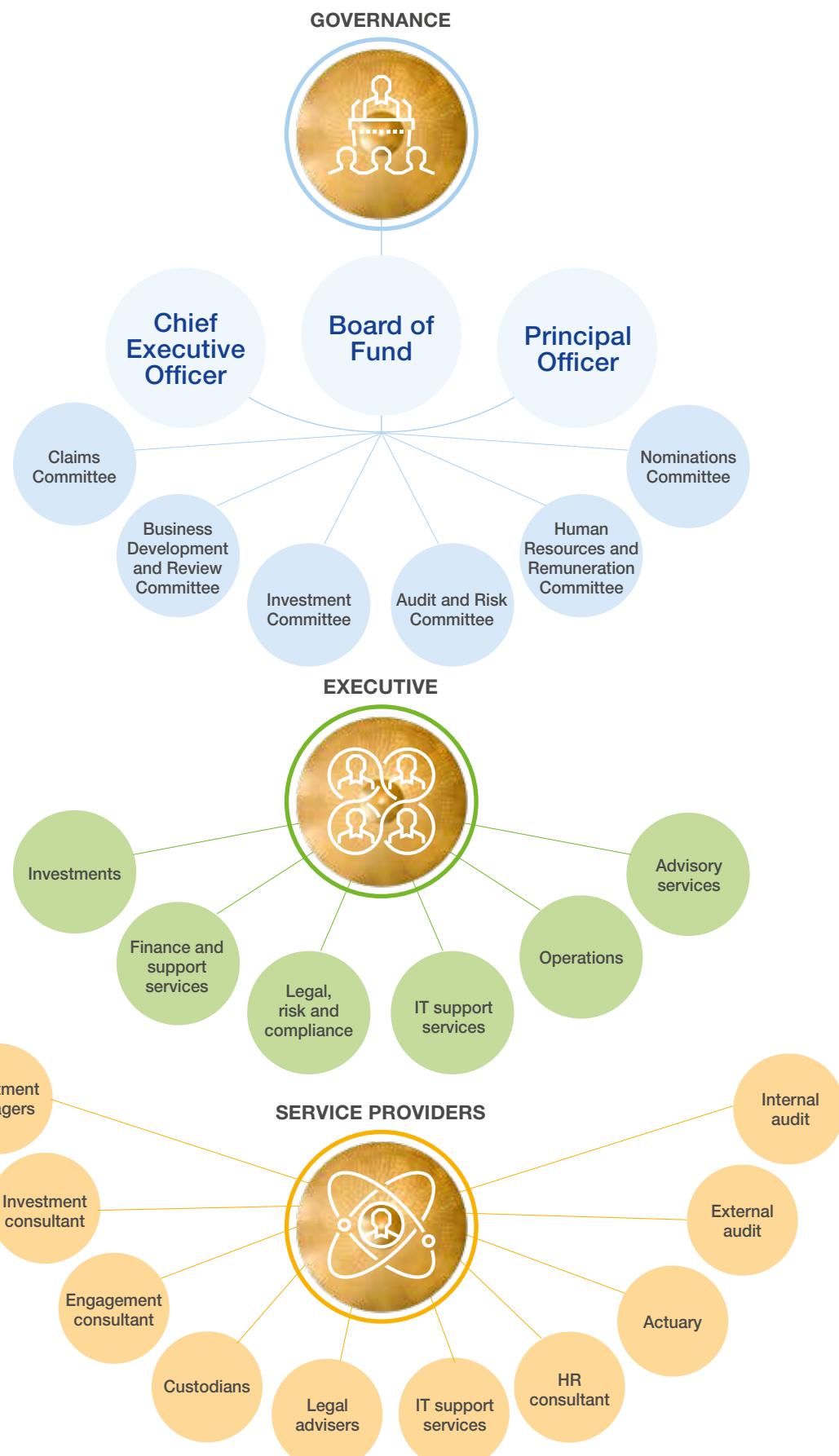
We uphold the laws that apply to us. Our policies reflect accountability. Going beyond mere compliance, we do the right thing even when nobody is watching. Therein lies the trust others place in us. In all of this, we find meaning in what we do. We recognise that we make a difference in people's lives and we embrace this privilege with purpose and humility.

Signed on behalf of the Board, management and staff of Sentinel Retirement Fund.

AB la Grange
Chairman

FJ Visser
CEO

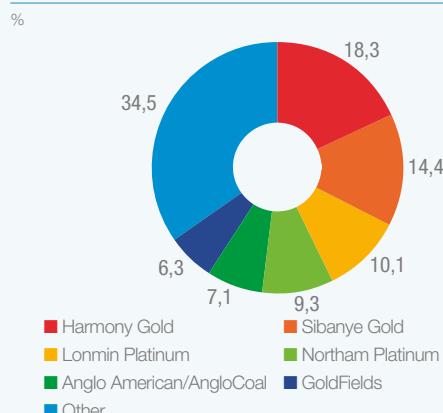
Organisational structure



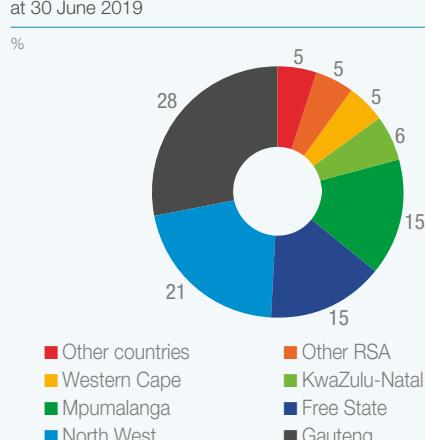


Membership highlights

Contributory members per participating employer at 30 June 2019



Pensioner geographic spread at 30 June 2019

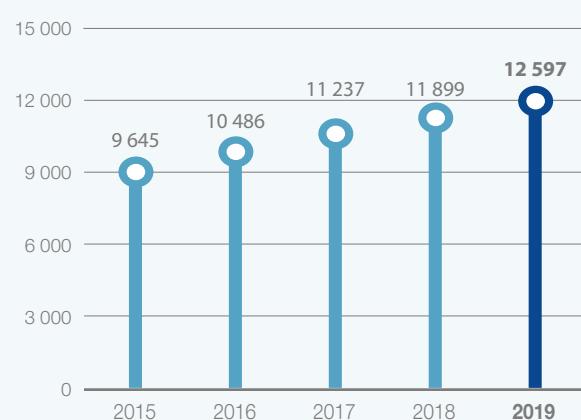


Gender analysis of contributory members

at 30 June 2019

	Number	Average age	Average fund salary
Female	22,3%	39,89	R26 966
Male	77,7%	44,21	R32 521

Average monthly member pension paid – 2019



Membership benefits

Dismissal/ resignation/ retrenchment

- ♦ Paid-up membership
- ♦ Fund credit paid out option
- ♦ Fund credit transferred to approved fund.

Death

Fund credit plus cover amount (if applicable) paid as follows:

- ♦ 50% to provide spouse pension
- ♦ 50% paid as lump sum in terms of section 37C of the Pension Funds Act (No 24 of 1956) to dependants and/or nominees.

Disability

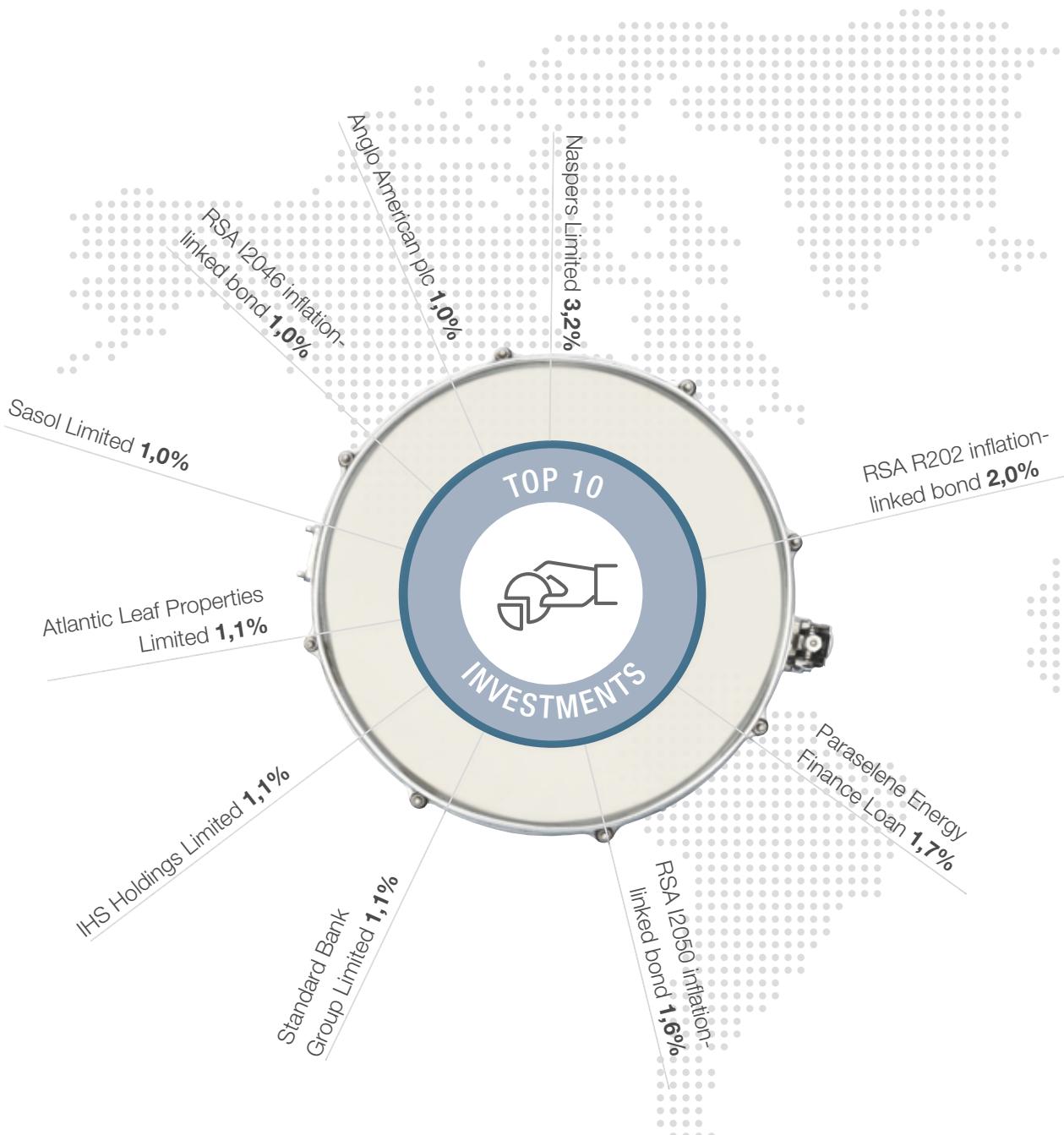
- ♦ Fund credit plus cover amount (if applicable) paid as a retirement benefit.

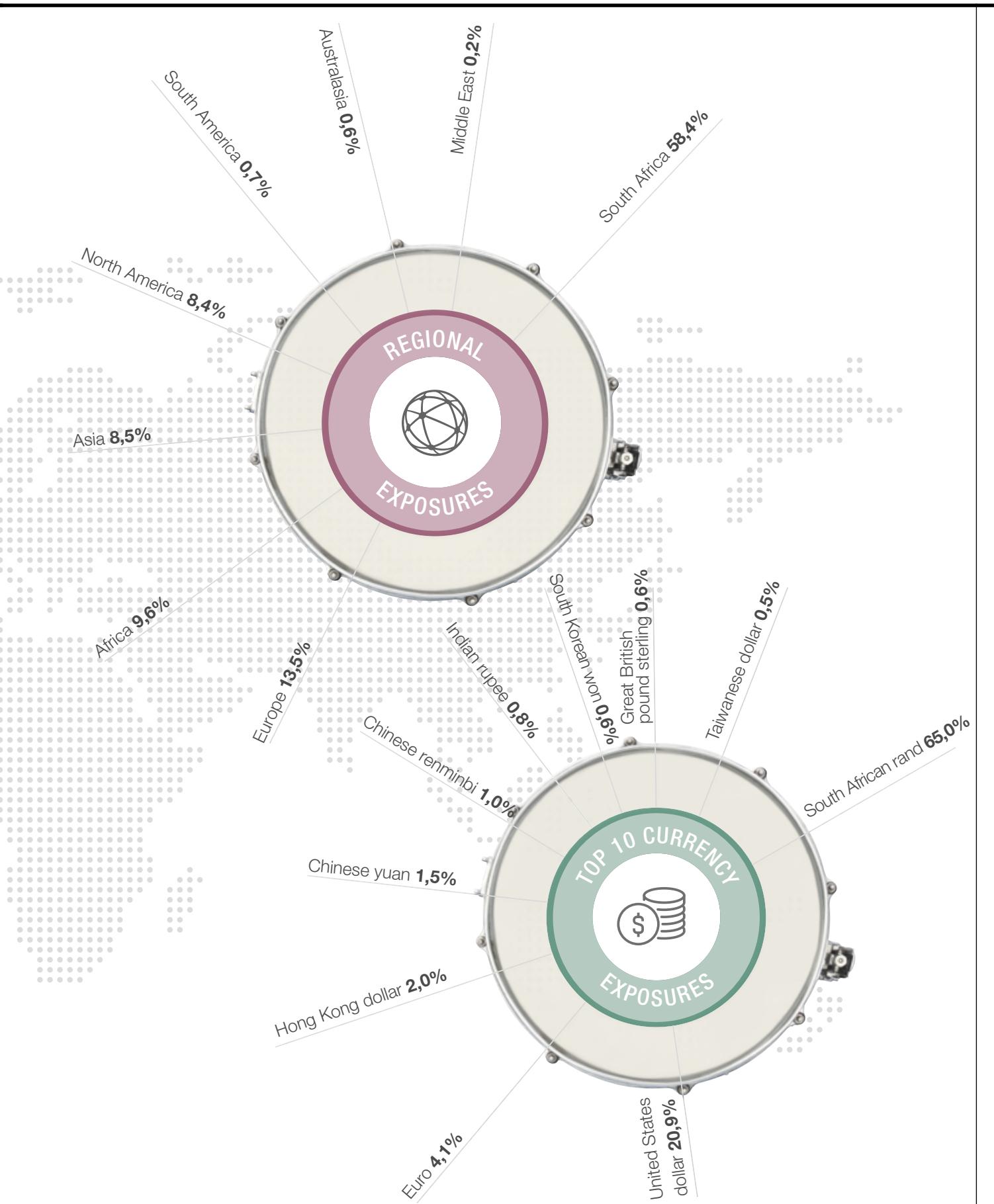
Retirement

- ♦ Maximum one-third lump sum
- ♦ Monthly with profit pension payable for life (member and spouse):
 - Spouse pension payable at 75% or 100% in event of death of retiree
 - Term certain guarantee period of 5, 10, 15, 20 or 25 years
 - An option of a living annuity pension, after a minimum R150 000 annual pension from the above.

Investment spread

Sentinel actively pursues growth through world-class investment management and the provision of modern flexible benefits underpinned by best of breed systems and specialist skills.





Key milestones

1946

Created as
Mine Officials
Pension Fund
(MOPF)

2001

Converted to
a pure defined
contribution
(DC) fund and
MOPF renamed
Sentinel Mining
Industry Retirement
Fund

2005

First
pensioner
bonus paid

2012

First
integrated
annual report

2014

Members: 45 990
Pensioners: 34 823
Assets: R79,9 billion

2003

Member
Investment choice
introduced

1968

Members: 23 244
Pensioners: 4 005
Assets: R152,3 million

2013

Renamed
to Sentinel
Retirement Fund
and the Mine
Employees
Pension
Fund merged
into Sentinel

2016



2007

Pension
income
choice
introduced



Joint review by the Chairman of the Board and Chief Executive Officer

AB la Grange
Chairman of the Board



Investment markets

The past financial year has been an extremely difficult one as investment market volatility increased to unprecedented levels. The negative impact on the domestic market brought about by continued global uncertainty resulting from a protracted Brexit, an escalation in the USA/China trade war, extreme weather conditions specifically in Europe and political tension spanning many parts of the globe, has been deeply felt by local investors.

Emerging markets globally, including our local market, have again been particularly hard hit. The domestic economy and investment markets have been further negatively impacted by, among others, the 2019 national elections, internal strife and factionalism within the governing party, various ongoing high profile court battles and commissions, and policy uncertainty that remains around important issues such as the independence of the

South African Reserve Bank, expropriation of land without compensation and National Health Insurance.

The extended weakness of our domestic economy and its inability to produce meaningful growth, extremely high levels of unemployment and poverty, a highly volatile rand coupled with high fuel prices, continued turmoil surrounding a number of state-owned enterprises and the ongoing financial drain of these on the fiscus, talk of an increase in taxes and the negative impact flowing from the ongoing state capture debacle, weighs heavily on all South Africans.

The above factors, among others, further compromised the domestic investment markets as international investors sought safety and acceptable risk-based returns elsewhere. A rise in US dollar commodity prices, although beneficial to some local industries, did little to stabilise an already jittery investment environment.

The size of South Africa in world markets dropped to around 0,4% of global GDP and will decline even further with projected economic growth rates that fall far short of what is required to address and alleviate poverty and unemployment.

Sentinel, however, managed to generate positive returns (net of all administration and asset manager fees) across all 'life-stage' portfolios and the pensioner portfolio over the financial year, through its prudent investment model that is based on risk mitigation principles from a widely diversified portfolio of local and international assets that spreads risk across various asset classes and specialist investment manager mandates. This investment model remains an effective mechanism for countering some of the volatility and uncertainty experienced by markets over the recent past.

Joint review by the Chairman of the Board and Chief Executive Officer continued



FJ Visser
Chief Executive Officer

Over the reporting period, SA nominal bonds (11,5%) and international equities (8,7%) were the best performing asset classes while Africa equities (-8,1%) and SA-listed properties (-5,1%) were the worst performing.

Sustainability

While the Fund has always incorporated sustainability considerations into both its investment and operating model, local and global events in 2019 once again highlighted that further efforts and consideration is required.

Sentinel welcomes the publication of Guidance Notice 1 of 2019 from the FSCA. While Sentinel mostly complies with the requirements, it will work towards an expansion of existing sustainability initiatives and further improvements in monitoring and associated reporting.

Default regulations

Although Sentinel already complied with the majority of default regulations (Regulation 37 – Default Investment Portfolios, Regulation 38 – Default Preservation and Portability, and Regulation 39 – Annuity Strategy) the Rules of the Fund were amended, effective 1 March 2019, to fully comply specifically with Regulation 38, that deals with paid-up membership concerning the preservation of retirement capital and portability of such capital. This Rule amendment resulted in Sentinel's 'deferred members' and 'interim members' being reclassified as paid-up members, from 1 March 2019.

Fees and costs

The Fund has, for a number of years, reported portfolio returns both gross and net of all costs in support of our commitment to transparency. Sentinel has further enhanced this cost reporting and now reports all costs and fees separately including indirect fees and costs levied on products such as fund-of-fund investments.

Governance

Sentinel has, over a number of years, implemented various industry leading governance structures and reporting methodologies. The Fund continually strives to improve its governance mechanisms and the principles embodied in King IV™ and PF Notice 130.

On 1 July 2018, the Board of Trustees was reduced in size from 19 Trustees to 11 Trustees including an independent Trustee who is also the Board



Chairperson. The Fund also appointed a number of appropriately skilled and experienced individuals to the Board committees on this date to further broaden the skill sets and experience of these committees.

During the period under review, both the Financial Sector Conduct Authority and South African Reserve Bank conducted formal inspections of Sentinel. The Fund values and appreciates the constructive engagement these inspections provided.

The Fund sadly lost its Principal Officer on 28 April 2019 after a period of illness, and subsequently appointed its Deputy Principal Officer, Mr JS Fouché, as Principal Officer on 13 July 2019.

Combined assurance

Sentinel has enhanced its risk management process to include a causal methodology in identification and reporting of risks. The major Fund risks continue to be evaluated and monitored with the risk register being updated and reported on at all meetings of the Audit and Risk Committee and the Board of Trustees.

The combined assurance framework has also been further expanded to ensure that optimal assurance is obtained from all four lines of defence. These lines of defence include management, a dedicated risk and compliance function, internal and external audit as well as external specialist service providers such as the Fund's actuary.

On 1 October 2018, the Fund appointed PricewaterhouseCoopers Inc (PwC) as its internal auditors to replace KPMG Services (Pty) Limited. On this date, the Fund also appointed Deloitte & Touche as its external auditors to replace PwC.

Operations

Operationally Sentinel performed well again. Our goal of providing excellence in client service within acceptable cost parameters has driven further enhancements to IT platforms and the strengthening of control processes. In addition, the Fund has enhanced its benefit statements to not only reflect regulatory requirements, but also an income replacement measurement and the potential shortfall a member may have in achieving a 75% replacement income at retirement.

The roll-out of a new self-help member and pensioner secure portal with enhanced benefit estimate calculator is progressing well and will launch in the third quarter of 2019.

Sentinel remains one of only a few self-administered umbrella retirement funds that provides an in-house default annuity option to members at retirement in addition to an in-house living annuity option to qualifying retirees. This model supports a seamless and costless transition from being a member to becoming a pensioner in the Fund and continues to deliver excellent cost savings to retiring members. The option to elect the Sentinel in-house living annuity has been extended to the

spouse of a deceased member, effective 1 March 2019, who qualifies for this option.

Retirement reform

The continued uncertainty regarding the implementation of annuitisation for provident fund members and compulsory preservation for all retirement fund members remains a concern. It adds to the insecurity experienced by existing and prospective members and participating employers, and remains a major obstacle in our efforts to grow Sentinel's member and employer base.

Transformation

The Fund continues to support black economic empowerment and transformation through the following channels:

- ◆ Our internal employment equity (EE) plan, in which we develop employees from designated groups
- ◆ By recruiting promising candidates as interns and training them in the financial, investment and retirement fund fields
- ◆ By supporting a black investment manager incubation programme for the past 12 years. This highly successful programme assists start-up black investment management firms to establish themselves in the asset management industry
- ◆ By supporting established black investment managers.

As at 30 June 2019, 17 black investment management firms have completed the incubation programme, while a further

Joint review by the Chairman of the Board and Chief Executive Officer continued

10 black investment management firms are being supported.

During the financial year under review, despite the total number of employees remaining the same, the number of African employees at Sentinel increased by over seven percent. Over the past five years the number of Sentinel employees has decreased from 94 to 83. Despite very low staff turnover, the Fund managed to increase the number of black African employees to 35% of total employees.

Mr Madula Mananye

On 28 April 2019 Mr Madula Mananye, the Principal Officer and Chief Risk and Compliance Officer of Sentinel, sadly passed away. The Fund lost an exemplary member of its executive management team, a man of unquestionable integrity who made an enormous contribution to both the Fund and the broader industry during his tenure as Principal Officer.

We did not only lose a colleague, we lost a friend and expert in his field who touched the lives of the entire Sentinel team. Madula is sorely missed by us all.

Outlook 2019/2020

Investment market volatility and relative weakness is expected to continue into the foreseeable future accompanied by investor uncertainty especially within emerging markets. Our local economy is further anticipated to remain under pressure as economic growth will struggle

to accelerate considering the negative impact of struggling SOEs, lack of clear economic policies and plans, and high levels of unemployment and poverty. The potential for a further sovereign rating downgrade combined with a negative outlook for emerging markets in general, places South Africa high on the risk spectrum for international investors which does not bode well for a quick recovery from current weakness.

As said in our 2018 review, the creation of an inclusive growth environment that is underpinned by a stable growing economy remains a major challenge. To achieve this, tough and sometimes unpopular decisions are required that support the establishment of policy certainty and setting the course to longer-term financial stability of all South Africans.

Notwithstanding the difficulties experienced over the year, we have built an exemplary institution with a competitive cost base, high levels of governance and excellence in service as hallmarks over many years. We know we can always improve and to this end continually seek innovative solutions in our quest for excellence and providing Fund participants with a compelling value proposition.

We are confident that Sentinel's well-diversified asset base and strategic initiatives will enable the Fund to manage the challenges and risks that it is exposed to.

Appreciation

We extend our gratitude to the Sentinel Board members, committee members, management and staff for their diligence and dedication to the Fund over the past year. In particular, we thank Mr John Liackman, the Chairman of the Investment Committee, Mr Francois Cooper, the Chairman of the Audit and Risk Committee, and Mr Abe Bardin, the Chairman of the Human Resource and Remuneration Committee for their commitment and guidance.

We would also like to thank all Sentinel service providers and business partners for their contribution over the past financial year.

We further sincerely thank our members, pensioners and participating employers for their continued loyalty and support.

AB la Grange

Chairman of the Board

FJ Visser

Chief Executive Officer

3 October 2019

Chief Financial Officer's report

I am once again pleased to announce that the Fund is in a sound financial position and able to meet its liabilities.



JS Fouché
Chief Financial Officer

This report details and evaluates the financial wellbeing of the Fund against the following important criteria:

- ◆ Solvency of the pensioner reserve and ability to grant pension increases
- ◆ Solvency of the risk benefit reserve and the ability to service the risk benefit offering
- ◆ Ability to fund cash needs as required
- ◆ Investment performance
- ◆ Cost control of administering and investing member assets.

Pensioner reserve funding level

The financial statements of the Fund only reflect the net assets. It is therefore essential that the actuary of the Fund values the long-term pensioner liabilities annually to ensure the pensioner assets are sufficient to meet future liabilities. The main assumptions used to determine the solvency of

this reserve are also evaluated annually to ensure reasonableness and relevance to the Fund's actual liability profile.

The Board has, in conjunction with the investment consultant, adopted an asset allocation in respect of the pensioner reserve that is based on a liability-driven investment approach. The overall result of the asset allocation and future return assumptions is an expected real return (discount rate) of 5,2% per annum at 30 June 2019 (June 2018: 4,6%). This rate is monitored and reviewed on a monthly basis.

However, since the target pension increase is 80% of inflation, the Fund formally uses a discount rate of 6,4% (expected future real investment return minus 80% of inflation) to value its liabilities. This is done to ensure that the Fund maintains an adequate solvency reserve.

Chief Financial Officer's report continued

A brief summary of the valuation assumptions used is set out below (previous two statutory valuation date assumptions provided for comparative purposes):

	30 June 2019 (interim)	30 June 2018 (statutory)	30 June 2015 (statutory)
Net post-retirement discount rate (80% of CPI*)	6,4%	5,9%	5,3%
Net post-retirement discount rate (100% of CPI)	5,2%	4,6%	3,9%
Mortality – pensioners	Based on PA90 table with a mortality improvement of 0,5% per annum applied from 1 July 2009	Based on PA90 table with a mortality improvement of 0,5% per annum applied from 1 July 2009	Based on PA90 table with a mortality improvement of 0,5% per annum applied from 1 July 2009
Mortality – disability pensioners	PA90 table rated up by four years	PA90 table rated up by four years	PA90 table rated up by four years
Spouse's age difference (if unknown)	four years	four years	four years
Expenses (as a percentage of pensioner payroll)	2,0%	1,0%	1,0%

* Consumer Price Index.

Total pensioner assets divided by the total pensioner liability (including the annual pension increase and *ad hoc* discretionary payments that were awarded after 30 June every year) expressed as a funding level percentage as at 30 June are reported below:

Pensioner funding level



Pension increase and *ad hoc* discretionary payment

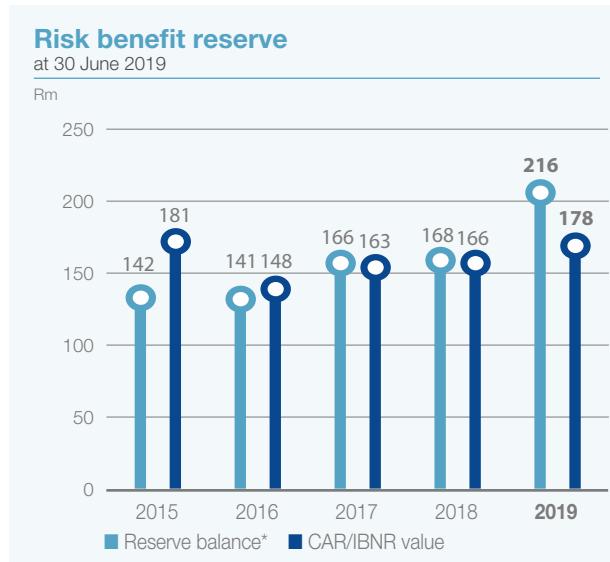


The results confirm that the pensioner reserve at June each year remained well funded between 104,2% and 112,2% after taking into account the October pension increase and *ad hoc* discretionary payment. The Fund has therefore been able to grant pension increases in line with or in excess of CPI.



Risk benefit reserve

The risk benefit reserve balance of R216 million (2018: R168 million) at 30 June 2019 (including unallocated contributions of R26 million at 30 June 2019) is well funded compared to the actuarially recommended reserve level of R178 million. Benefits closely match contributions and investment growth.



Member reserves

Each member's fund credit consists of the member and employer's contributions (net of insurance costs and expenses) plus investment returns. The member's funding level is therefore 100% at all times.

Cash flow

The Fund continues to experience large cash outflows and therefore needs to maintain a core of liquid investments.

Below is a summary of the annual net outflows.

	Total 2019 (Rm)	Total 2018 (Rm)
Contributions and transfers received	3 100	3 432
Investment income	1 854	1 710
Less: Benefits and transfers paid and expenses	(8 589)	(8 354)
Net cash outflow	(3 635)	(3 212)

The Fund monitors its daily, monthly, quarterly and annual cash flows to ensure assets are liquidated in a timely and responsible manner when required. This liquidation process is based on a well documented rebalance strategy that forms part of the Fund's investment strategy.

The following investments are less liquid and are carefully monitored to ensure that these exposures remain within acceptable limits:

- ◆ Private equity
- ◆ Frontier markets
- ◆ Credit bonds
- ◆ Hedge funds
- ◆ Unlisted property.

Investment performance

Investment performance over the one and five-year periods were disappointing mainly as a result SA asset classes underperforming their return expectations as can be illustrated in the major market indices performances below.

Market indices performance



Although Sentinel's portfolios are well diversified to the extent allowed by our regulatory environment, future investment returns are highly dependent on a recovery in the South African economy and restoring both business and investor confidence. It has become critical for South African fiscal and monetary authorities and policymakers to address both policy uncertainty and structural weaknesses within the SA economy.

As a result of the poor local market investment performance, Sentinel failed to meet its real return objective over the five-year period. However, the 10-year performance still exceeded real return objectives.

Chief Financial Officer's report continued

Annualised net portfolio investment returns relative to real-return objectives and asset-based benchmarks for the financial year to 30 June 2019





Cost management

Regulations 37 and 39, which became effective on 1 March 2019, require that all fees and charges, whether borne directly or indirectly by the Fund, implicit or explicit, are disclosed to members in a clear and understandable manner.

Investment returns communicated monthly reflect net returns, after all costs.

Total cost, inclusive of the indirect, implicit fees and charges, are expressed as a percentage of assets under management. This percentage is communicated monthly through portfolio fact sheets (published on the Fund's website) and are reported below for the year to 30 June 2019.



Direct costs, accounted for in the Fund's financial statements, are managed by the Board with assistance from the Audit and Risk Committee. Direct cost is based on an annual budget which is approved by the Board on the advice of the Audit and Risk Committee.

The actual direct cost is reported against the budget at Audit and Risk Committee and Board meetings. The recovery of these costs is based on each member's fund credit, while for the pensioner pool and risk reserve, these costs are levied against the total pool value. Cost recovery ratios can fluctuate significantly from year to year as some investment managers are remunerated on investment performance relative to their benchmarks.

The table below indicates the actual cost recovery percentage compared to the budgeted cost recovery percentage:

Portfolio	Actual (%)	Budget (%)
Wealth builder	0,66	0,61
Inflation protector	0,64	0,59
Pension protector	0,59	0,54
Pensioner	0,59	0,53

As indicated in our 2018 integrated annual report, anticipated changes to accounting practices relating to fees and costs have resulted in higher direct cost recovery ratios in 2019. As a result, during the current financial year, actual recovery ratios were well above budgeted recovery ratios.

Post-year-end events

No events have occurred since the financial year-end which materially affect the financial statements as disclosed.

Summary

The Fund's reserve accounts are in a sound financial position. The pensioner reserve had a solvency reserve of 104,2% after taking into account the October 2019 increase and November 2019 *ad hoc* discretionary payment.

Cash outflows remain a challenge but are being carefully managed.

Investment returns over the last five-year period were disappointing resulting in real return objectives not being achieved over this period. Returns over the 10-year period did, however, meet the real return objectives.

JS Fouché
Chief Financial Officer

3 October 2019

Business model

Sentinel creates value for our members, pensioners and other stakeholders through a business model developed over decades of retirement fund management.

The Fund is one of the largest self-administered, defined contribution, umbrella pension funds in South Africa, actively managing R82,7 billion as at 30 June 2019.

It is structured as a type 'A' umbrella pension fund that offers in-house self-insured risk benefit cover (death and disability) and monthly pensions.



Sentinel actively pursues fund growth through world-class investment management underpinned by advanced IT systems and specialist skills. The Fund has 38 574 members and 98 active participating employers.

Monthly pensions are paid to 34 088 former members and beneficiaries.

Sentinel's long-term investment strategy makes a meaningful contribution to the communities where its members and pensioners reside.

Inputs



Financial capital

Sentinel's assets are available for use in the provision of benefits

- ◆ Member contributions
- ◆ Investment returns and income
- ◆ Reserves
- ◆ Assets



Intellectual capital

The intangibles that sustain the quality of our product and services offering, which provide Sentinel's competitive advantage

- ◆ Policies, systems, procedures, controls and standards
- ◆ Legal and statutory compliance measures
- ◆ IT backbone and supporting software
- ◆ Driven by service approach



Human capital

The skills and experience vested in our employees that enable us to implement our strategy and deliver our products and services, thereby creating value for Sentinel's stakeholders

- ◆ Employees
- ◆ Outsourced professionals/service providers
- ◆ Training
- ◆ Remuneration and policies



Social and relationship capital

The key and long-term relationships that Sentinel has cultivated with key stakeholders and service providers

- | | |
|---------------------------|--------------------------------|
| ◆ Members | ◆ Service providers |
| ◆ Pensioners | ◆ Government at various levels |
| ◆ Participating employees | ◆ Business partners |

Components of value creation



Governance

Sentinel is at the forefront in integrated reporting for retirement funds. Although not compelled by legislation, Sentinel chooses to govern itself in accordance with the King IV™ Code and reports to its stakeholder universe in terms of the international Integrated Reporting <IR> Framework. Good corporate governance underpins our long-term reputation in the sector.



Outputs



Outcomes



Sentinel's four capitals

An integrated annual report is compiled primarily to explain how an organisation creates value over time through various 'capitals' that include the traditional financial capital always reported on.

These capitals represent stores of value that can be built up, transformed or run down over time in the production of goods or services. Their availability, quality and affordability can affect the long-term viability of an organisation's business model and its ability to create value.

The IIRC reporting framework identifies six capitals, which are listed as:

- ◆ financial
- ◆ manufactured
- ◆ intellectual
- ◆ human
- ◆ social and relationship
- ◆ natural.

These six capitals are not equally relevant or applicable to all organisations. While most organisations interact with each capital to some extent, these interactions might be relatively minor, or so indirect that they need not be discussed in the integrated annual report.

Sentinel considered the uses or effects of all six capitals when preparing this integrated annual report. Given the nature of Sentinel's operations, only four of the six capitals are of sufficient impact to be reported on. The four capitals reported on are **financial, intellectual, human, and social and relationship capitals**, while the manufactured and natural capitals are set aside. Sentinel's exposure to these two capitals is so limited that reporting on these areas is not material.

Performance

Sentinel sets out specific key performance indicators (KPIs) for each of the capitals for which we measure progress against objectives. Shortfalls against objectives may be an early indicators of potential problems to be addressed.

Sentinel's four capitals:



Financial capital



Intellectual capital



Human capital



Social and relationship capital



Financial capital





Harmonising our members' money

Conceiving, negotiating and orchestrating financial inputs and outputs. Harmonised with investments including equity, bonds and cash. Synchronising the harmony of financial assets which make Sentinel stand out.



Financial capital



Financial capital

What it is

The pool of funds that is available to an organisation for use in the production of goods or the provision of services obtained through financing, such as debt, equity or grants, or generated through operations or investments, including:

- ◆ monthly contributions from members and employers
- ◆ investment capital and income
- ◆ reserves for pensions, risk benefits and other reserves
- ◆ payment of pensions and benefits.

How Sentinel manages financial capital

Our purpose is to provide sustainable returns to our members and pensioners in a cost-effective manner, so that they can derive optimised benefits.

Sentinel serves its members seamlessly from employment into retirement, through a range of flexible options.

Members (contributions)

Each member of the Fund contributes an agreed upon percentage of their salaries towards retirement and risk benefit funding. Sentinel invests their contributions to generate returns through strategic investment decisions.

At the time of reporting, Sentinel had 98 active participating employers contributing on behalf of 35 096 members. In the year of review, contributions increased by R32 million.

Members (benefits)

The Fund awards benefits upon a member's resignation, retirement, disability or death.

Assets (investments)

Sentinel actively pursues growth through astute market investing by sector specialists within an investment strategy based on patience, perspective and a focus on long-term income protection. Our

asset allocation process is designed to achieve optimal yet sustainable long-term investment returns at risk levels set by the Board. We manage risk by diversifying investments across geographies, asset classes, within asset classes and through position sizing. As a major institutional investor, we have long adopted a responsible investment approach that incorporates sustainability considerations such as impact on the environment, society and governance.

Investment management is mostly outsourced to investment managers selected for their investment style, philosophy, track record, ability to add higher value than passive investing and the fit of their portfolios into the overall Fund investment structure. These investment managers are monitored constantly to ensure they remain within mandates and deliver on risk-adjusted performance objectives. The monitoring protocol includes a formal annual feedback session to the Investment Committee. Benchmarks are set for each portfolio, asset class and investment mandate.

Pensioners (annuities paid)

In the year of review, monthly pensions were being paid to 34 088 former members and beneficiaries.



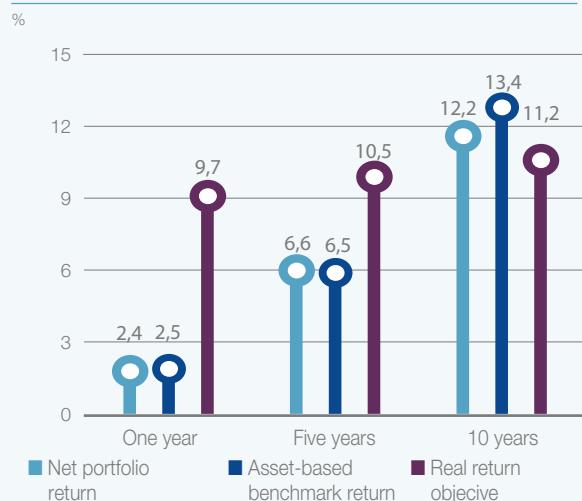
KPI – Relative investment returns

Objective:	Outcome – 2019
Meet or exceed real-return objectives and asset-based benchmarks over any five-year cycle.	While Sentinel managed to achieve one of its two return objectives by meeting or exceeding asset-based benchmarks over the five-year period, it failed on the second objective of meeting or exceeding real-return objectives over the five-year period. This is largely the result of SA asset classes underperforming expectations by a long way. While Sentinel's portfolios are diversified to the full extent allowed by our regulatory environment, the local economy and investment market remains a key component of the overall outcome. It has become critical for South African fiscal and monetary authorities and policymakers to address both policy uncertainty and structural weaknesses within the SA economy. Future investment returns are highly dependent on a recovery in the SA economy and restoring both business and investor confidence.

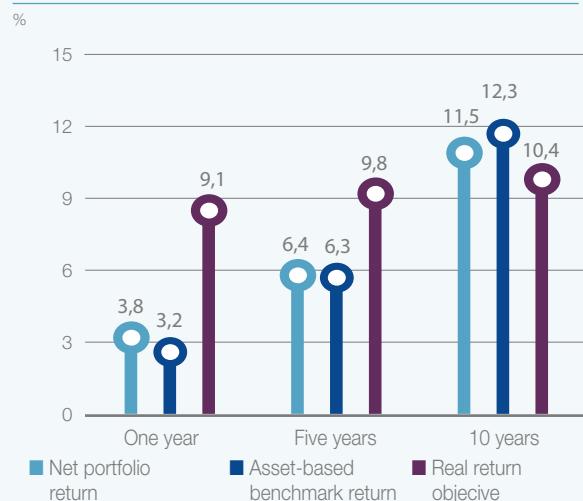
Investment portfolio

Annualised portfolio investment returns (net of all costs) relative to real-return objectives and asset-based benchmarks for the financial year to 30 June 2019:

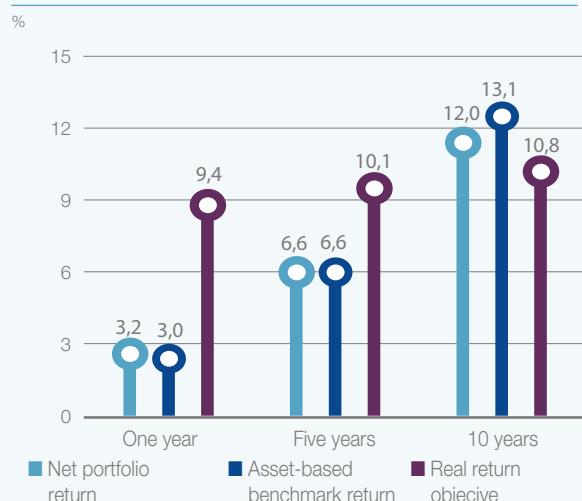
Wealth builder



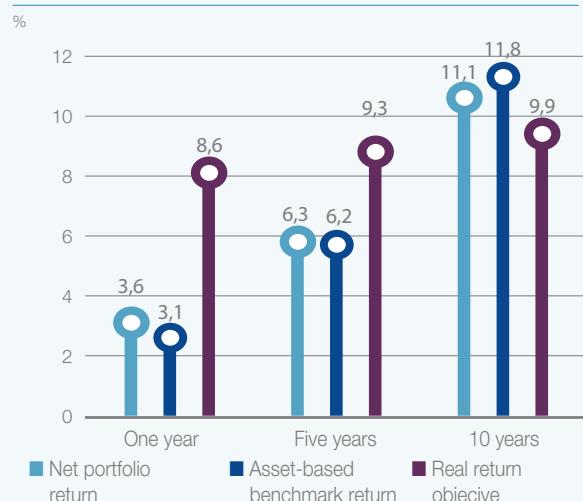
Pension protector



Inflation protector

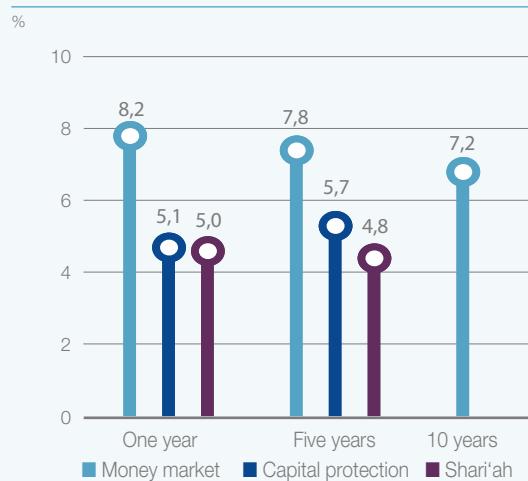


Pensioner



Financial capital continued

Other



KPI – Pensioner reserve funding level

Objective:	Outcome – 2019
Maintain post-increase funding level above 100%.	In terms of financial soundness requirements it is imperative to maintain the pensioner reserve funding level above 100%. It is therefore pleasing that, despite the challenging investment and economic environment, Sentinel managed to maintain the post-increase pensioner reserve funding level above 100%, while achieving objectives in terms of pension increases granted.

KPI – Risk reserve balance

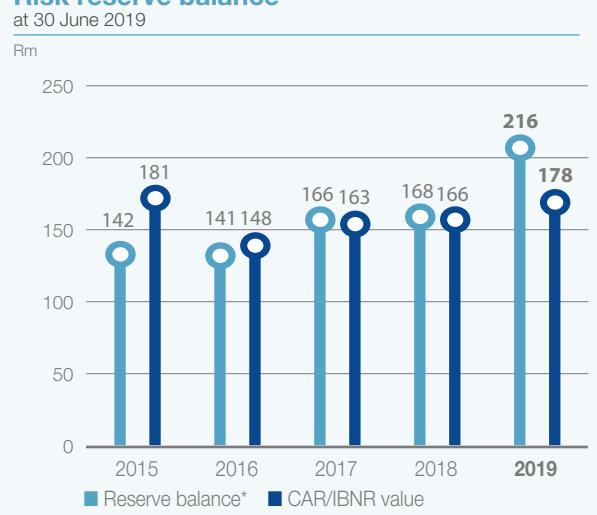
Objective:	Outcome – 2019
Maintain risk reserve balance at or above the recommended CAR/IBNR* value.	Changes made to contribution rates and cover levels by the Board in 2016 had the desired outcome of raising the risk reserve balance to above the recommended CAR/IBNR value. As at the end of June 2019, the risk reserve balance was adequately funded in excess of the recommended CAR/IBNR balance.

* CAR: capital adequacy reserve/IBNR: incurred but not reported.

Pensioner funding level



Risk reserve balance





KPI – Direct cost recovery ratios

Objective:	Outcome – 2019
Maintain direct cost recovery ratios within budget.	<p>Regulations 37 and 39, which became effective on 1 March 2019, require that all fees and charges, whether borne directly or indirectly by the Fund, implicit or explicit, are disclosed to members in a clear and understandable manner.</p> <p>In line with this requirement, Sentinel adopted the concept of total retirement savings charges, which comprises of four components:</p> <ul style="list-style-type: none"> Investment charges* Investment management fees, including all charges of underlying investment funds and transaction costs. Advice charges Advice fees, including investment consulting fees not included in investment charges. Administration charges Administration costs, which in Sentinel's self-administered model will include personnel, information technology and operational costs. These costs include member and pensioner communication, counselling and advice. Other charges Other costs and fees, including legal & consulting fees, audit fees, Board fees, FSCA levies, insurances, valuation charges and annual report costs. <p>* Investment charges contain a component of indirect, implicit fees and charges, which are not budgeted for. These are incorporated into the unit price or net asset value of the relevant investment product.</p> <p>As indicated in our 2018 integrated annual report anticipated changes to accounting practices relating to fees and costs have resulted in higher direct cost recovery ratios in 2019. As a result, during the current financial year, actual recovery ratios were well above budgeted recovery ratios.</p>

Actual direct cost recovery ratios for the financial year ended 30 June 2019

Portfolio	Investment management charges (%)	Advice charges (%)	Administration charges (%)	Other charges (%)	Total charges (%)
Wealth builder	0,45	0,01	0,18	0,02	0,66
Inflation protector	0,43	0,01	0,18	0,02	0,64
Pension protector	0,38	0,01	0,18	0,02	0,59
Pensioner	0,38	0,01	0,18	0,02	0,59

Budgeted direct cost recovery ratios for the financial year ended 30 June 2019

Portfolio	Investment management charges (%)	Advice charges (%)	Administration charges (%)	Other charges (%)	Total charges (%)
Wealth builder	0,40	0,01	0,18	0,02	0,61
Inflation protector	0,38	0,01	0,18	0,02	0,59
Pension protector	0,33	0,01	0,18	0,02	0,54
Pensioner	0,32	0,01	0,18	0,02	0,53

Financial capital continued

During the year, the recovery of cost is based on year to date actual cost incurred. This fee is charged individually to member accounts and on a pooled basis to the pensioner portfolio and risk benefit portfolios.

Investment returns communicated monthly reflect net returns, after total retirement savings charges have been considered.

Total retirement savings charges, inclusive of the indirect, implicit fees and charges, are communicated monthly through portfolio fact sheets (published on the Fund's website).

Cost recovery ratios can fluctuate significantly from year to year as some investment managers are remunerated on performance relative to their benchmarks. Costs are expressed as a percentage of average asset value throughout the year.

KPI – Pension increases awarded

Objective:	Outcome – 2019
To increase pensions on average annually by a minimum of 80% of the CPI.	We have maintained our track record of pension increases on average exceeding 80% of CPI. Further to the 2019 increase granted, the Board was able to grant an <i>ad hoc</i> discretionary payment of 3,0% of annual pension, which will be paid in November 2019.

Pension increase and *ad hoc* discretionary payment





Pension increases are considered and are based, *inter alia*, on the investment return achieved on the underlying assets of the pensioner portfolio, funding level at financial year-end and the increase in CPI for the year to 30 June. The annual pension increase becomes effective on 16 October each year.

The Board needs to ensure that the long-term financial sustainability of the pensioner portfolio is not compromised when attempting to counter the erosive

effect of inflation on the purchasing power of pensions. Sentinel's pension increase methodology was implemented in terms of the Pension Fund Second Amendment Act (No 39 of 2001), which includes provisions requiring pension funds to grant a specific minimum pension increase to pensioners. The Board furthermore needs to ensure that the Fund meets the financial soundness requirements as published by the Registrar.

KPI – Increase in membership

Objective:	Outcome – 2019
To increase the number of participating employers and diversify across industries, thereby diversifying the membership base and increasing assets under management.	<p>The Fund retained members during employer companies' business ownership changes and has also gained members through employer companies' business expansion initiatives. In addition, negotiations with new roleplayers in specifically the Coal Mining Sector emerged towards the end of the year.</p> <p>Two employee benefit consulting firms have introduced new participating employer companies from other industries, ie Real Estate Agents and a religious entity.</p> <p>Notwithstanding these outcomes, the general preference for provident funds remains a major obstacle in growing and diversifying the Fund's membership.</p>

	2015	2016	2017	2018	2019
Participating employers*	109	110	122	128	134
Net movement	2	1	12	6	6

* Includes participating employers to be deregistered.

Financial capital continued

KPI – Increase in membership

Objective:	Outcome – 2019
To become cash flow positive from transactions with members to minimise the impact of negative cash flows on longer-term investment views.	During the 2019 financial year, the net member cash flow reduced by R629 million, when compared to the 2018 financial year.

	2019 (Rm)	2018 (Rm)	Movement (Rm)
Contributions and transfers received	3 100	3 432	(332)
Benefits and transfers paid	(3 603)	(3 306)	(297)
Net (outflow)/inflow with members	(503)	126	(629)

KPI – Increase in membership

Objective:	Outcome – 2019
To ensure that Sentinel grows membership numbers and retains retiring members as pensioners.	It should be noted that, prior to 1 March 2019, all non-contributory members had to retire in the Fund. As paid-up members, they are now able to transfer out of the Fund even after normal retirement age but limited to an age of 70 years.



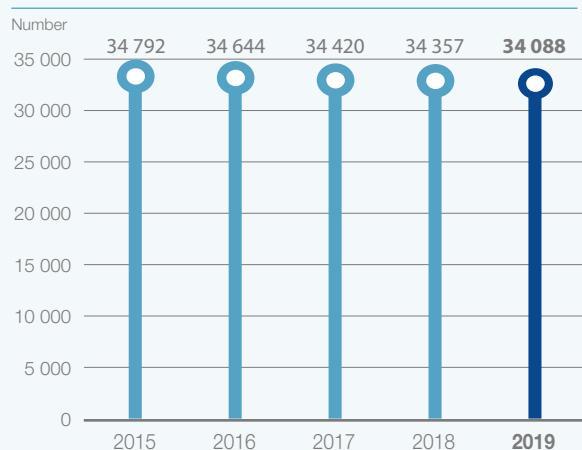
Contributing members



Paid-up members (non-contributing and interim members pre-2019)



Pensioners and beneficiaries





Intellectual capital



The art of leading

Managing a retirement fund for optimised outcomes year after year requires deeply embedded institutional knowledge, supported by swift and informed reactions.

Backed by a proprietary blend of analytical systems, Sentinel's Trustees and management are well proven in steering sophisticated retirement offerings.

Intellectual capital



Intellectual capital

What it is

Organisational, knowledge-based intangibles, including:

- ◆ intellectual property, such as patents, copyrights, software, rights and licences
- ◆ ‘organisational capital’ such as tacit knowledge, systems, procedures and protocols.

For over 70 years, Sentinel has built up a vast store of knowledge, insights and systems that enable the Fund to create value for members, pensioners, beneficiaries and society. Our long proven expertise and capability underpin Sentinel’s reputation for a consistently superior offering and cost-effective services.

How Sentinel manages intellectual capital

Innovation

Sentinel has long pursued a policy of continually reviewing and improving its products where feasible. We have evolved into a multi-industry retirement fund by redesigning Sentinel’s structure and products for a broader range of employers and members, while engaging with potential clients outside of the mining sector.

Administrative strengths and competencies

- ◆ Daily unitisation
- ◆ Member account maintenance
- ◆ Daily compliance
- ◆ Regulatory reporting.

Technology

The Fund deploys sophisticated information technology (IT) to serve the needs of stakeholders accurately and cost-effectively. We view IT as a critical enabler for business, therefore partner with world leading software development houses. Sentinel ensures that all systems are operated within set parameters and that policies are in place to protect, archive and secure data while privacy is maintained. Our comprehensive disaster recovery procedure incorporates full backup of all electronic files daily to an off-site location. In the event of a disruption in business, the Fund has secured two disaster recovery sites that will ensure the swift restoration of operations.

**KPI – Introduction of new products and services and ensuring these adhere to legislation and participant demands**

Objective:	Outcome – 2019
To ensure that, to the extent allowed by our rules and legislation, our products and services are responsive to participant requirements.	<p>Risk benefit product offering</p> <p>The search for a holistic risk benefit product solution continued during this year. As an interim measure until a comprehensive solution is in place, employers may exercise the option to opt out of the Fund's risk benefit product and offer either unapproved cover through an employer-owned policy or request Sentinel to accept their preferred death cover insurance policy as a tax-approved, Sentinel-owned policy.</p> <p>Retirement reform</p> <p>Four new regulations came into effect on 1 March 2019 for Sentinel as part of National Treasury's retirement reform process:</p> <ul style="list-style-type: none">◆ Regulation 37 – default investment portfolios◆ Regulation 38 – default preservation and portability strategy◆ Regulation 39 – default annuity strategy◆ Regulation 40 – application of Regulations 37 to 39. <p>The Fund already complied with most of these regulations and amendments to the rules of the Fund were submitted for approval to ensure full compliance.</p>

Intellectual capital continued

KPI – Technology as critical enabler for business

Objective:	Outcome – 2019
Ensuring that appropriate technology and software solutions are added where a need has been identified.	New software or applications were not required in this period.
Ensuring that all application software releases are updated to support new functionality, while maintaining IT equipment to ensure reliable 24/7 performance.	All software has been updated to latest releases.
Ensuring system productivity levels support the ongoing provision of a superior client service experience.	Software is used to monitor productivity levels of both hardware and operating systems on a 24/7 basis. Included in the monitoring process is transaction level monitoring as well as business process management level monitoring. Business intelligence software is used as a management tool to continuously improve productivity levels.



KPI – Data security, quality and protection

Objective:	Outcome – 2019
Ensuring data remains secure and protected.	<p>As the technology adoption rate increases worldwide and makes its way into every facet of routine life, cybercrime has become one of the leading risks facing organisations and individuals alike. As a custodian of member data, Sentinel understands the potential harm to individuals in the event of data breaches through system hacking or other forms of cybercrime.</p> <p>Although insurance policies are available to compensate organisations and individuals for damages sustained as a consequence of cybercrimes, Sentinel has taken the approach that 'prevention is better than cure'. Sentinel is extremely serious about keeping member data secure. To achieve this, the Fund has invested time and money into upgrading all the data protection layers in accordance with global best practices. These will be re-evaluated regularly.</p> <p>Sentinel understands that even the best practices cannot guarantee 100% safety and has taken out cybercrime insurance to minimise financial damages should all defences get breached.</p> <p>Much attention was devoted to ensuring that Sentinel's systems can deal effectively with cyber attacks. Computer security awareness dashboards were installed to raise staff awareness regarding password security, phishing and other cyber security warnings. Sentinel can report that all instances of attempted cyber attack in this financial year were effectively warded off.</p>
Ensuring that business decision making is based on accurate data.	Through the use of business intelligence software, management can now perform data quality and integrity checks. Data cleansing and sanitisation projects are implemented to remedy areas of weakness in the data.
Ensuring the high availability of network and systems while simultaneously protecting data through best practice backup procedures.	The recovery and restoration of the Fund's total technology architecture was tested and passed successfully.
Continuous maintenance, improving and testing of Sentinel's fully fledged disaster recovery plan to ensure that the Fund can resume business within hours after a major disruption or disastrous event.	



Human capital





The art of building teams that win consistently

Sentinel's people are driven by the knowledge that we hold the dreams and expectations of thousands of members in our hands. We invest in our ability to help make these dreams come true.

In turn, we invest in the people that make Sentinel work – through talent spotting, mentoring and skills development. Developing a true sentinel takes time and astute guidance.

Human capital



Human capital

What it is

People's competencies, capabilities and experience, and their motivations to innovate, including their:

- ◆ alignment with and support for an organisation's governance framework, risk management approach and ethical values
- ◆ ability to understand, develop and implement an organisation's strategy
- ◆ loyalties and motivations for improving processes and services, including their ability to lead, manage and collaborate.

The Board of Fund, the Chief Executive Officer and the Principal Officer are ultimately accountable and responsible for the performance of the Fund. They uphold this responsibility by providing strategic direction and leadership, ensuring good governance and ethics, determining policy, agreeing on performance criteria and delegating detailed planning and implementation of policy to Fund management. The Chief Executive Officer and Executive Committee are responsible for the day-to-day management and administration of the Fund and report to the Board.

How Sentinel manages human capital

Our goal is to attract and retain people with the appropriate skills, drive and values to fulfil the requirements of Sentinel's mission and values.

We believe that skill and talent development supports the Fund's overall business objectives. To this end, self-development, training, coaching and exposure are made available to all employees. In particular, we facilitate the career paths and talent development for those from previously disadvantaged backgrounds. As a good corporate citizen, Sentinel is committed to the underlying principles of the Employment Equity Act and the Basic Conditions of Employment Act, as well as to contributing to the skills pool in South Africa.

KPI – Capacitation and transformation outcomes

Objective:	Outcome – 2019
Ensuring that Sentinel's organisational structure can drive its transformation agenda, while remaining appropriate within the Fund's broader development and growth strategy.	<p>The following intervention was completed in the year of review:</p> <ul style="list-style-type: none">◆ The identification of new and potential new roles at senior and middle management and specialist levels which have and are in the process of being filled in support of the current and future strategic development of the Fund in order to optimise the capacity to deliver on the strategy while facilitating transformation.
Ensuring seamless transition for employees into executive management roles, while also developing the capability of the organisation to meet changing demands.	<p>The following has been achieved towards this objective:</p> <ul style="list-style-type: none">◆ The medium-term strategy to address succession to key executive roles has been updated◆ The emergency short-term succession plan for executive roles has been updated and confirmed◆ The continued implementation of development plans for potential internal successors◆ The ongoing implementation of an organisation-wide technical and skills development strategy to adapt to technological advancements and regulatory changes and to address succession requirements at all levels◆ Employee education and skills development to address ongoing capacity needs.



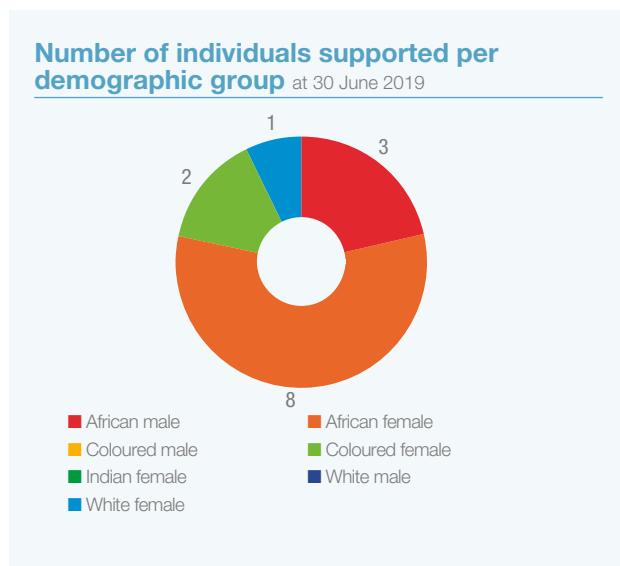
KPI – Capacitation and transformation outcomes

Objective:	Outcome – 2019
To transform Sentinel's Board demographics to be more representative of the economically active population of our country.	The newly constituted Board of Trustees reflects some progress towards transformation. The new Board has undergone induction and has been operational since 1 July 2018. Opportunities will continue to be sought toward the transformation of the Board of Trustees and its committees.

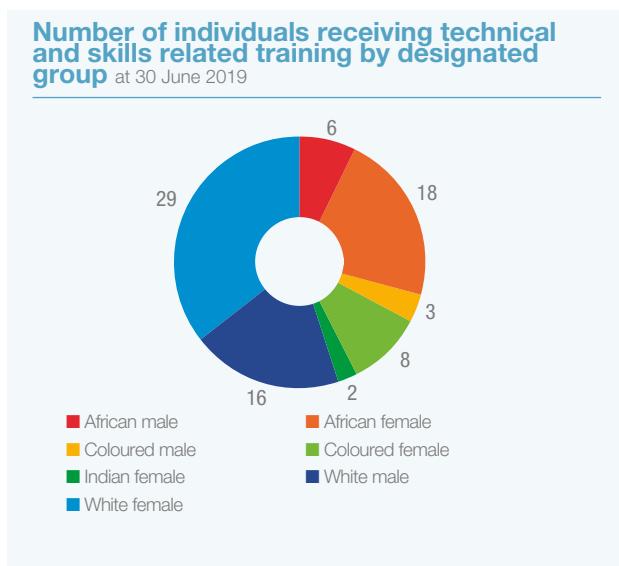
KPI – Capacitation and transformation outcomes

Objective:	Outcome – 2019
To transform Sentinel's management and employee demographics to be more representative of the economically active population of our country.	<p>The Fund has implemented a transformation plan towards achieving medium and long-term targets for transformation among management and employees. This plan is managed by an employment equity manager through an internal Employment Equity Committee. The current profile and targets are reflected in the following tables.</p> <p>The following progress has been achieved over the past year:</p> <ul style="list-style-type: none"> Despite the total number of employees remaining the same, the number of African employees has increased by six (over seven percent) and the total number of female employees by three. <p>The following progress has been achieved over the past five years:</p> <ul style="list-style-type: none"> With automation and other efficiencies introduced, the number of employees in the fund has decreased over the past five years from 94 to 83. With an average gross staff turnover of well below five percent for the period, the opportunities for transformation are limited. Despite this, the number of African employees increased over the period from 20 (21%) to 29 (35%).

Study assistance for tertiary academic study:

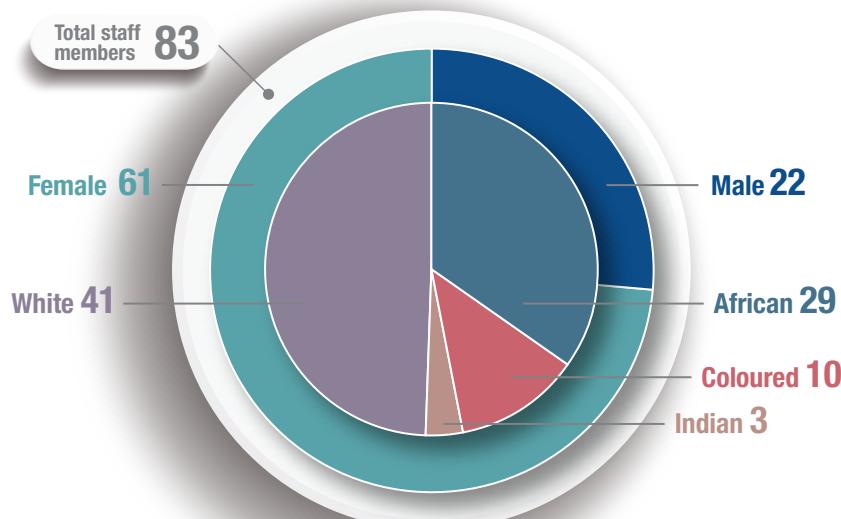


Employee training:



Human capital continued

Human capital statistics



Current workforce profile

	Male				Female				Total
	A	C	I	W	A	C	I	W	
Top/senior management	0	0	0	6	0	0	0	0	6
Middle management/specialist	0	0	0	8	0	0	1	0	9
Administrative	5	2	0	1	20	8	2	26	64
Unskilled	0	0	0	0	4	0	0	0	4
Total	5	2	0	15	24	8	3	26	83

Interim workforce goal – 2023

	Male				Female				Total
	A	C	I	W	A	C	I	W	
Top/senior management	2	0	0	3	2	0	0	0	7
Middle management/specialist	1	0	0	5	1	0	1	1	9
Administrative	12	2	0	1	21	7	2	21	66
Unskilled	0	0	0	0	4	0	0	0	4
Total	15	2	0	9	28	7	3	22	86



Economically active population workforce goal – 2030

	Male				Female				Total
	A	C	I	W	A	C	I	W	
Top/senior management	2	1	0	1	2	0	0	1	7
Middle management/specialist	3	0	0	1	3	1	0	1	9
Administrative	26	4	1	4	23	3	1	4	66
Unskilled	2	0	0	0	2	0	0	0	4
Total	33	5	1	6	30	4	1	6	86

KPI – Capacitation and transformation outcomes

Objective:	Outcome – 2019
To assist unemployed black graduates, diplomats and matriculants in gaining meaningful work exposure with the option of retaining them as Sentinel employees.	<p>The following interventions were completed in the year of review:</p> <ul style="list-style-type: none"> ◆ Over and above the work exposure gained by the learners, Sentinel has continued its partnership with an external training provider to train learners to NQF level 5 qualification in generic management. Internal mentoring from senior management and coaching by an industrial psychologist supplements this training. The following activities took place over the financial year: <ul style="list-style-type: none"> – Successful completion of the learnership programme by the fourth intake, involving one external coloured male learner and two external African female learners, all of whom have now been employed by the Fund as full-time employees in either the Operations or Advisory areas – Three new external African male candidates for the fifth learnership intake.
To retain staff through the management of the Fund's employee value proposition.	<p>The following interventions were completed in the year of review:</p> <ul style="list-style-type: none"> ◆ The maintenance of an employee wellness programme using a panel of contracted external service providers, with a psychologist available on-site on a weekly basis ◆ The management of a focused, market-linked remuneration strategy that appropriately rewards performance ◆ The periodic development of life skills for employees ◆ Periodic social events driven by an internal social committee ◆ Biennial employee morale surveys to monitor employee wellbeing.



Social and relationship capital



The art of earning trust through excellence

Sentinel refines investment strategies, collaborates with partners in the investment community and seeks new ways to generate sustainable returns through the application of environment, social and governance considerations across its investments.

We communicate regularly with our members – through channels of their choice – on investment trends and our responses on their behalf. Knowing what our members want, and informing them on what they can realistically expect, is how trust is built.

Social and relationship capital



Social and relationship capital

What it is

The institutions and the relationships within and between communities, groups of stakeholders and other networks, and the ability to share information to enhance individual and collective wellbeing. Social and relationship capital includes:

- ◆ shared norms, common values and behaviours of key stakeholder relationships, and the trust and willingness to engage that an organisation has developed and strives to build and protect with external stakeholders
- ◆ intangibles associated with the brand and reputation that an organisation has developed or an organisation's social licence to operate.

By managing communication with our stakeholders, the Fund maintains its reputation, which in turn supports our growth strategy.

Sentinel's key stakeholders are its members, pensioners, beneficiaries and participating employers. Other stakeholders include organised labour, investment managers, government, the retirement fund regulator and various service providers.

By providing excellent retirement funding through our responsible investment strategy, Sentinel makes a meaningful contribution to its communities and markets.

How Sentinel manages social and relationship capital

Maintaining relationships

Sentinel provides members with user-friendly online access to their fund accounts, which are updated daily. Employers, members and pensioners can choose to have their Sentinel communication delivered by surface mail or digitally.

Members and pensioners access the Fund's client service network when information, assistance or advice is required. In-house advisory services include:

- ◆ assistance with retirement planning
- ◆ guidance on making optimal use of available options.

We interact with groups of members and pensioners to provide information of mutual interest, such as our investment strategy, investment performance and explanations of Sentinel's products, tax implications and retirement reform initiatives.

Responsible investing

We have long held that responsible investment is a key priority and, therefore, subscribe to the Code for Responsible Investment in South Africa (CRISA). We consider ourselves duty bound to be active shareholders of the companies we invest in and to influence their corporate behaviour where necessary. A specialist firm attends relevant shareholder meetings on our behalf and votes in accordance with Sentinel's positions.

We are encouraged to note that corporates in general are responding positively to responsible shareholder activism.

In Sentinel's view, BEE is best served by enabling entrepreneurs and skilled professionals to successfully launch their businesses or practices. We are actively transforming the broader investment management industry through an investment manager incubation programme for previously disadvantaged individuals.

Personal contact with members and pensioners



62 162 inbound calls from member and pensioners
6 724 outbound calls to members and pensioners
37 174 outbound SMS messages to members and pensioners



19 456 members visited regional client service centres
5 774 pensioners visited regional client service centres
271 members received personal advice



KPI – Effective and efficient implementation of communication strategy

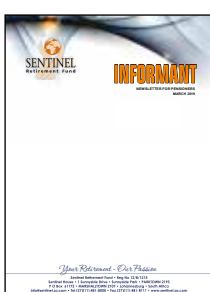
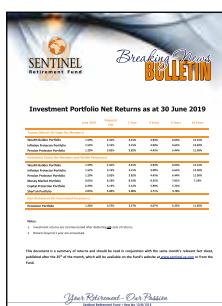
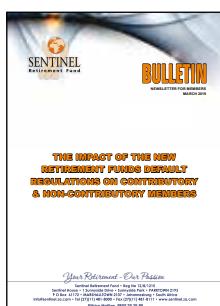
Objective:

To provide relevant information, assistance and counselling to members, pensioners, beneficiaries and participating employers in a convenient and understandable format.

Outcome – 2019

Communication, as well as the provision of accurate information and advice to individuals, was again challenging this year due to additions to pension fund regulations that came into effect on 1 March 2019. This created confusion among many members, which Sentinel had to address. Formal communications from Sentinel, including annual benefit statements, are distributed via preferred channels selected by employers, members and pensioners. Members and pensioners use Sentinel's client service network when information, assistance or advice is required. These facilities consist of a secure web interface, a contact centre for telephone enquiries, five client service centres for face-to-face interaction and a fund advisory service for professional guidance.

Newsletters



Three Bulletins and 15 breaking news Bulletins were published for members as well as two Informants and three Breaking News Informants for pensioners during the year. The following total distributions were delivered to members and pensioners preferred communication channels during the year:

Website: All publications were published

Email: 260 200 to members and 140 262 to pensioners

Courier/post: 39 568 to members and 36 592 to pensioners

56 member information sessions were presented at employers

37 pensioner information sessions were presented
(29 locally and eight in neighbouring countries)

3 624 pensioners attended these presentations



182 885 total website hits

Social and relationship capital continued

Annual benefit statements



Member benefit statements were enhanced to provide a dashboard that shows the member's current standing measured against critical success factors that are required to achieve an income replacement rate of 75% at retirement.

Pensioner benefit statements reflect information relevant to the benefit in payment as well as relevant continuation options.

Comprehensive explanatory brochures were published to explain the content of both the member and the pensioner benefit statements.

The following total distributions were delivered to members and pensioners preferred communication channels:

All statements were placed on members and pensioners accounts in a secure web portal

Website: 17 619 to members and 11 081 to pensioners

Courier/post: 19 784 to members and 21 000 to pensioners

KPI – Being a responsible investor

Objective:

Outcome – 2019

Changing corporate behaviour to ensure the long-term sustainability of investments.

International trends and developments have increased the focus on delivering sustainable development goals and mitigating the impact of climate change. Integral to this approach is the integration of environmental, social and governance (ESG) risk factors into risk management systems and ensuring these are identified and mitigated in current and future investment portfolios.

- ◆ The responsible investing and ownership policy as set out in the Fund's IPS sets the fiduciary framework and stance on sustainability. The policy is approved by the Investment Committee
- ◆ The stewardship activities are implemented through proxy voting and engagement underpinned by policies and guidelines. These guidelines are reviewed and approved by the Investment Committee on an annual basis
- ◆ As a multi-managed fund, ESG integration is achieved through investment managers that are allocated mandates to manage the Fund's assets.

The Fund is a significant institutional investor in private and listed securities and recognises that exercising the ownership rights that are attached to those securities are a fiduciary duty and a necessary part of that ownership. The Fund acknowledges this fiduciary duty to preserve and enhance value in the interests of all the beneficiaries on whose behalf it invests. In this 2018/2019 ownership disclosure we share our approach to stewardship and an overview of our stewardship activity during 2018/2019.

The Fund follows a holistic approach to responsible investing and ownership. A Board-approved responsible investing policy provides a robust framework. Implementation is driven by a proxy voting policy and guidelines and a focused engagement policy and programme. Our responsible investing policy is based on three pillars:

- ◆ Active ownership through proxy voting and engagement
- ◆ ESG integration through external investment managers
- ◆ Allocation to targeted impact investments.



ESG integration through external investment managers

As the Fund utilises a multi-manager structure, ESG integration is pursued through its investment managers utilising responsible investment approaches. We are encouraged by the level of active ownership being displayed by many of our external investment managers. Engagement, however, remains an area for vast improvement among many investment managers. Sentinel actively monitors ESG integration, as we consider it to be the ultimate driver for delivering sustainable returns.

Since the launch of the CRISA code, the Fund has endorsed this stewardship code. Sentinel fulfilled the CRISA principles as follows:

Principle	Fulfilment
1 An institutional investor should incorporate sustainability considerations, including ESG, into its investment analysis and activities as part of delivering superior risk-adjusted returns to the ultimate beneficiaries.	Sentinel uses a multi-specialist and multi-manager approach by outsourcing its investments to third-party investment managers. An ESG due diligence is conducted to ensure investment managers integrate ESG issues into their investment analysis and processes.
2 An institutional investor should demonstrate its acceptance of ownership responsibilities in its investment arrangements and investment activities.	The Fund has a robust responsible ownership framework with three layers: an overarching responsible investment policy; a proxy voting policy; and a focused engagement programme. In the year under review, the Fund voted on 3 065 resolutions and participated in 40 company engagements.
3 Where appropriate, institutional investors should consider a collaborative approach to promote acceptance and implementation of the principles of CRISA and other codes and standards applicable to institutional investors.	Where possible the Fund collaborated with like-minded shareholders through collaborative engagements, in particular its investment managers.
4 An institutional investor should recognise the circumstances and relationships that hold a potential for conflicts of interest and should proactively manage these when they occur.	Sentinel manages any potential conflicts of interest through a formal review process. The Fund has engaged an external responsible ownership partner to actively manage its proxy voting and engagement programme.
5 Institutional investors should be transparent about the content of their policies; how the policies are implemented and how CRISA is applied to enable stakeholders to make informed assessments.	Sentinel publishes its voting and engagement record and discusses its responsible investing activities in its integrated annual reports.

What we voted on

The Fund voted on **3 065** resolutions. It opposed 513 of these resolutions.

	Voting themes (%)	Against votes (%)
Director affairs	49	15
Audit issues	21	18
Remuneration issues	15	20
Capital issues	9	36
Financial assistance	6	7
Other	—	4

What we engaged on

Forty companies were engaged.

	Engage- ment (%)
Environmental issues (27%)	
Risk management	23
Disclosure	37
Sustainability	40

Social and relationship capital continued

Environmental issues raised

- ◆ Green building policy and strategy
- ◆ Water risk management
- ◆ Energy risk
- ◆ Green finance and funding
- ◆ Environmental policies
- ◆ Waste management.

	Engage- ment (%)
Social issues (23%)	
Sustainability	42
Safety	58

Social issues raised

- ◆ Social and Ethics Committee reports
- ◆ Social Committee structures
- ◆ Health and safety
- ◆ Supply chain management
- ◆ Board diversity
- ◆ Labour/remuneration disparities
- ◆ Community relations.

	Engage- ment (%)
Governance issues (50%)	
Board affairs	44
Remuneration issues	28
Stakeholder issues	9
Audit affairs	19

Governance issues raised

- ◆ Board structures
- ◆ Director affairs
- ◆ Audit affairs
- ◆ Remuneration
- ◆ Capital structures
- ◆ Strategy and business risk.

Engagement impacts and highlights

A five-point milestone system is used to track and measure the progress of the Fund's engagements against the objectives set at the beginning of each engagement as follows:

- ◆ Whether there was acknowledgement of issues by the company
- ◆ Whether the company has developed any action plan to address the issues
- ◆ Whether the company developed an action plan which was communicated
- ◆ Whether the action plan was/is being implemented
- ◆ Whether the issues have been sufficiently raised with the Board/management and adequately addressed.

Through research, engagement and proxy voting activities, the Fund identified serious governance, sustainability, operational and stakeholder risks in some companies. In line with its engagement policy and guidelines, the Fund engaged these companies directly in an effort to correct the existing risks as well as to avert future risks.

The Fund successfully concluded engagements on a considerable number of issues during the previous financial year. Overall the Fund maintained its fiduciary duty as an active owner.

Further detail with regard to the Fund's proxy voting and engagement activities can be found on the Fund's website.

KPI – Being a responsible investor

Objective:	Outcome – 2019
Introducing emerging black investment managers into the incubation programme, followed by their successful graduation into mainstream investment management.	Our emerging investment manager incubation programme provides start-up black investment managers with the support to build track records and capacity before entering the mainstream investment environment. 2019 marks the 12th year of the programme.



As at 30 June 2019, the Fund had supported the following investment managers through this programme:

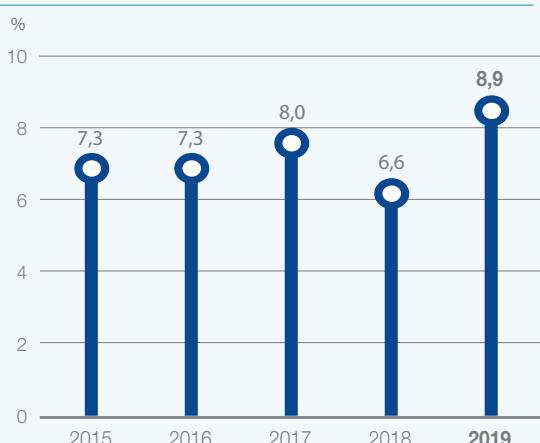
Historical (17)	Current (10)	Sentinel direct mandate allocation to managers previously engaged in the incubation programme (5)
27Four Investment Managers	Afena Capital	27Four Investment Managers*
Aeon Investment Managers	Aluwani Capital	Afena Capital
Afena Capital	Balondolozi Investment Services	All Weather Capital*
All Weather Capital	Benguela Global Fund Managers	Kagiso Asset Management*
Argon Asset Management	Excelsia Capital	Mazi Capital
Cachalia Capital	Legacy Africa Fund Managers	
First Avenue Investment Management	Lima Mbeu Investment Managers	
Kagiso Asset Management	MSM Property Managers	
Maru Asset Managers	Ngwedi Investment Managers	
Mazi Capital	Terebinth Capital	
Meago Asset Managers		
Mergence Investment Managers		
Mianzo Asset Management		
Mvononala Asset Managers		
Perpetua Investment Managers		
Prowess Investment Managers		
Trilinear		

* Currently hold direct mandates with Sentinel.

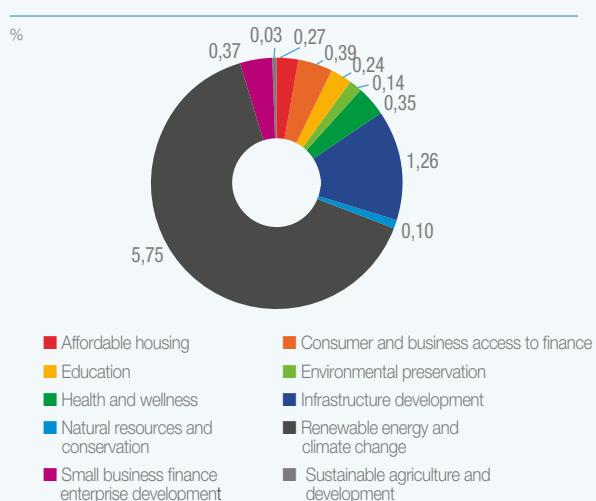
KPI – Being a responsible investor

Objective:	Outcome – 2019
Maintain a minimum 5% exposure to high-impact investments.	Sentinel's high-impact investing remains consistently above the 5% objective.

High-impact investment exposure



Breakdown of high-impact exposure



Management of the Fund

The Board of Fund (the Board) assisted by the Chief Executive Officer (CEO) and the Principal Officer (PO) is ultimately accountable and responsible for the performance of the Fund. They uphold this responsibility by providing strategic direction and leadership, ensuring good governance and ethics, determining policy, agreeing on performance criteria and delegating detailed planning and implementing of policy to Sentinel's management.

The CEO and Executive Committee are responsible for day-to-day management and administration and report to the Board.

Some responsibilities of the Board are delegated to Board sub-committees.

As at 30 June 2019, the Board comprises 11 members, including an independent member who is also the Chairman. Two employer representatives are appointed by the Minerals Council South Africa two employee representatives by Solidarity, two employee representatives by the National

Union of Mineworkers, two employee representatives by the Mines Professional Association and two employee representatives by UASA – The Union. The Board appoints the independent and alternate independent members.

Risk, governance and strategy

Who takes responsibility?

The Board: For establishing the risk and governance framework, the formulation of strategy, by engaging with Board sub-committees, Sentinel's management and industry specialists.

Executive committee: For the implementation and monitoring of the risk and governance framework, as well as Fund strategies, by establishing appropriate plans, policies, procedures, and strong procurement and outsourcing governance including service providers, staff and systems.

Service providers: For adhering to contractual obligations, mandate guidelines and objectives by following best

practice principles with regard to process, systems and administration.

The Board has identified the following strategic objectives:

1. Maintain and enhance excellence in management and governance
2. Maintain and enhance the Fund's investment and risk management performance
3. Retain and grow the membership and participating employer base to ensure the Fund's long-term sustainability
4. Transform the Fund to be more representative of the South African demographics at Board, management and employee levels.

Focus areas

The following focus areas, for which operational plans have been developed, flow from these strategic objectives:

1. Governance and risk management
2. Investment
3. Member/participating employer growth
4. People
5. Technology.



Board of Fund

Members of the Board during the year under review:

Name	Appointment date	Age	Notable qualifications	Meetings attended*
Independent				
AB la Grange	1 July 2018	69	MCom (Finance and Economics)	4
Employer representatives				
MA Ally	1 July 2018	51	MBA	4
WB Modisapodi	1 July 2018	45	LLM (Pension and Corporate Law)	4
Employee representatives				
Dr JPL Bezuidenhout	1 July 2018	59	PhD (Management and Business Administration)	4
J de Vos Hugo	1 July 2018	52	MBA	4
GE du Plessis	1 July 2018	49	BA Hons (Labour Sociology and Political Science)	4
BJ Drew	1 July 2018	67	MBA	4
NA Monaheng	1 July 2018	51	MBA	4
D Smith	1 July 2018	75	National Development Programme	4
MR Lesabe	1 July 2018	36	LLB	4
AJ Pienaar	1 July 2018	55	CA(SA)	4

By invitation

AC Bardin (Chairman: HR and Remuneration Committee) JL Liackman (Chairman: Investment Committee)

F Cooper (Chairman: Audit and Risk Committee)

* Total of four meetings for the year.

Executive Committee

FJ Visser	Chief Executive Officer
MM Mananye (passed away 28 April 2019)	Principal Officer/Chief Risk and Compliance Officer
JS Fouché (appointed as Principal Officer 13 June 2019)	Chief Financial Officer/Principal Officer
JN Botes	Chief Investment Officer
PAC Momberg	Chief Information Officer
MJ Mitchley	Chief Operations Officer
J Viljoen	Chief Advisory Officer

Our Board

Board of Fund



AB la Grange

Chairman – Board and
Nominations Committee

MA Ally

Dr JPL Bezuidenhout

WB Modisapodi

J de V Hugo





GE du Plessis

MR Lesabe

BJ Drew

NA Monaheng

AJ Pienaar

D Smith

Chairmen of Committees



FJ Visser

Chief Executive Officer
Chairman – Claims,
Business Development
and Review and
Executive Committees

F Cooper

Chairman – Audit and
Risk Committee

AC Bardin

Chairman – Human
Resources and
Remuneration Committee

JL Liackman

Chairman – Investment
Committee

Governance and risk management

The governance and risk management within the Fund is ultimately the responsibility of the Board. The Board discharges its duty through relevant policies and frameworks, as well as several committees. Part of the Board's function includes the independent monitoring of risk management and compliance that is delegated to the Audit and Risk Committee. The Executive Committee takes responsibility to ensure that the risk management framework is implemented.

Risk management process:

The Board adopted a comprehensive enterprise-wide risk management approach, which is designed to identify, assess, communicate and manage risks in order to minimise their potential impact on the Fund.

Objectives:

Our principal risk management and governance objective is to ensure that members and pensioners are not exposed to uncontrolled risks.

To attain this, we:

- ◆ create an awareness and understanding of risk at all levels within the Fund ensuring a consistent approach to managing risk
- ◆ instil a culture of risk management and ownership, embedding this in the management processes of the Fund
- ◆ take a holistic and forward looking view of risks we face continuously assessing both current and emerging risks.



Our framework:

The Fund uses a combined assurance framework with four levels of defence. The aim of this framework is to coordinate the efforts of all assurance providers in the Fund to avoid duplication and provide the most optimal, effective and complete integrated assurance model. This is supported by the combined assurance matrix, which details Sentinel's strategic risks, assurance providers, key control activities and key assurance processes.

Executive management plays an active role in the risk management process, being ultimately responsible for the maintenance of and compliance with the risk management framework. The responsibility for risk management resides at all levels throughout the Fund, from members of the Board to all employees. The Executive Committee ensures that effective controls are in place to manage these risks and monitors their application. The internal legal, risk and compliance function ensures that the Fund adheres to the requirements of applicable legislative frameworks. Internal audit assesses the effectiveness of the internal controls and risk management, while oversight of risk management is the responsibility of the Audit and Risk Committee (which is a sub-committee of the Board). Our external auditor expresses an opinion on our regulatory annual financial statements; the Fund actuary provides assurance on the solvency and sustainability of the pensioner and risk reserve; and external legal counsel is consulted when deemed appropriate.



Overview of our risk management process:

Business units are accountable for managing risks associated with their activities within established and approved limits, as well as for the results, both positive and negative, of taking those risks. In discharging this responsibility, business units are assisted by the internal legal/risk/compliance division. This division is a specialist function and is responsible for ensuring that an integrated and effective risk management framework is maintained and consistently applied throughout the Fund. The Fund uses a wide variety of methodologies to manage its risk. Monitoring is done through ongoing processes built into normal, operating activities of the Fund as well as internal and external audit processes. The key

risks of each business unit are captured in a risk register, and allocated to specific individuals or teams to drive specific actions. These risks are then consolidated to assess and define Sentinel's top strategic risks. Upon completion, the internal auditors draw up their annual internal audit plan, linking this to the strategic and enterprise-wide risks identified. The Executive Committee reviews the strategic and enterprise-wide risks and reports to the Audit and Risk Committee.

Sentinel prioritises its risk exposure by considering the most appropriate approaches to determining risk appetite and risk tolerance levels. These include the analysis of financial data, fees and costs.

Significance of risks is determined on the following basis:

Impact factor	Financial – investment	Financial – operating costs	Compliance and legal	Reputation and brand
Catastrophic	Quantified as potential effect on investment income or asset base	Quantified as potential cost as a percentage on investment income, operating budget or asset value	Quantified as potential size of legal claim against Sentinel, or potential jail terms or closure of operations	Qualitative assessment
Major				
Moderate				
Minor				
Negligible				

Our risk management approach

As risk is an unavoidable consequence of the Fund's activities, managing risk is a multi-faceted process, which involves:

- ◆ application of the four lines of defence that places a strong emphasis on accountability, responsibility, independence, reporting, communication and transparency both internally and externally with all key stakeholders
- ◆ frequent communication via the Audit and Risk Committee to the Board
- ◆ application of sound judgement
- ◆ strong governance applied pragmatically and consistently
- ◆ being cognisant of the fact that risk management is a dynamic and iterative process
- ◆ early identification, understanding and reporting of risk by undertaking regular reviews to ensure appropriate actions are taken
- ◆ the proactive management of risk to ensure that the risk profile is in line with Sentinel's risk tolerance levels
- ◆ optimisation of the risk/return relationship
- ◆ embedding adequate and effective systems of control
- ◆ ensuring that an effective business continuity plan is in place
- ◆ a systematic and structured approach to managing risks and refinement of processes
- ◆ ensuring that risk management is an integral part of business processes and an ongoing risk management process is in place
- ◆ management, monitoring and reporting of risks to ensure that resources are optimally utilised to minimise the probability of negative events.

Governance and risk management continued

Compliance risk management

The most notable development and focus area in respect of regulatory reform is: the anticipated passing of the Conduct of Financial Institutions (COFI) Bill for promulgation; and the establishment of the Financial Sector Conduct Authority (FSCA) on 1 April 2018. It is likely that ongoing changes in these areas, which are based mainly on strong market conduct contributing toward greater economic inclusion; will be incorporated into the Fund's frameworks.

Regulatory compliance: In determining strategic and operational risks, we link readily identifiable strategic and operational risks to the level and acceptability of compliance with legislative requirements that are applicable to Sentinel.

Objective: To provide a system of assurance to the Board that Sentinel complies with all applicable laws, regulations, rules, codes and standards.

Our framework: Sentinel operates within a regulatory universe that includes laws, regulations, rules, codes and standards. Executive management and the compliance function rate compliance risk for inclusion in a compliance risk management plan. This plan is a snapshot of the compliance obligations, inherent risk rating, controls, residual risk rating and responsibilities assigned to risk owners.

Our approach: With the increasingly demanding regulatory environment applicable to the financial services sector, Sentinel is under pressure to comply with

various new and amended regulatory requirements. To understand and assess the impact of such new and amended regulations on the Fund, the compliance function focuses on scanning and evaluating these for the Fund and its business areas. The compliance function, in conjunction with executive management, annually reviews the compliance risk management plans to determine whether the status of the high-risk provisions of the applicable laws, regulations, rules, codes and standards have changed. These high-risk provisions are managed at an executive level and are formally reported to the Audit and Risk Committee at every meeting. In order to achieve the Fund's compliance risk management plan, all employees are continually made aware of compliance requirements in order to ensure a high level of understanding and awareness of the applicable regulatory frameworks along with driving ethical behaviour. The Fund fosters a compliance culture in its operations that contributes to the overall objective of prudent regulatory compliance by observing both the spirit and letter of the law that is engrained in its business activities.

Ethics

The Board recognises that good governance emanates from effective and responsible leadership, which is characterised by ethical values of responsibility, accountability, fairness and transparency. This compliance culture further embraces broader standards of integrity and ethical conduct which concerns all employees and stakeholders.

Objective: To build an ethical corporate culture based on trust and integrity.

Our framework (emanating from Directive 8 and King IV™): Sentinel has adopted a formal ethics charter and drafted an aspirational Code of Ethics for the Fund. This charter articulates Sentinel's policy regarding conflicts of interest, gifts, confidentiality and fair dealing. A policy and procedure for managing conflicts of interest for the Board, sub-committees, officers, management and employees is in place to manage and, where applicable, eliminate such conflicts. Sentinel has procured an ethics and fraud hotline which is managed by an independent external reporting service, to allow employees, members, pensioners and the general public to report unethical or inappropriate behaviour, theft, corruption or fraud anonymously, via a completely confidential process.

Our approach: The Board, sub-committees, officers, management and employees disclose any personal or business interests that might lead to a real, potential or perceived conflict of interest. Matters reported through the hotline service are referred to the Audit and Risk Committee. The Audit and Risk Committee is responsible for ensuring that the matter is thoroughly investigated and appropriate action is taken.



Which significant risks do we face and how do we manage them?

Risk	Control
Declining membership – the risk of losing members due to a declining mining industry and employers requiring products and service offerings beyond the pension service offerings	The risk is managed through an active growth strategy within its current client base and targeting potential new employers. Strategic options discussed with the Board.
Insufficient control and performance management of external service providers	A formal, robust due diligence is performed prior to the appointment of an external service provider. An annual due diligence exercise is performed by the Fund on all external service providers. Service level agreements are drafted by the Fund's external legal counsel. Existing service providers are further managed by formal assessments, monitoring of performance indicators, and regular meetings with service providers. The agreement may be terminated in cases of poor performance. Additional processes are in place to ensure that all major service providers have appropriate insurance cover. There are policies and procedures in place and compliance monitoring. Assurance is provided by internal and external auditors. Site visits are also performed on a periodic basis.
Key person dependency and employment equity risk	This is managed by proper succession planning, skills transfer and people and talent development.
Political upheaval and uncertainty, degeneration of infrastructure, poor service delivery and an ungovernable South Africa	The Fund cannot control these risks, nevertheless the Fund has analysed the effect of these causal factors on investments and ensures that the investment strategy of the Fund takes these issues into account in managing the Fund's assets.
Governance risk – this risk comes through potential improper structures (including delegation of authority) between the Board, the Executive Committee and employees, leading to improper decision making	Good governance processes that outline responsibilities and accountabilities are set by the Board and form a key part of overall risk management. Implementation of the ethics charter and code. The Board monitors the business activities of the Fund at least quarterly and sub-committees report on their activities to the Board at these meetings. The Fund has implemented corporate governance initiatives under the Pensions Funds Act, King IV™ Code and additional statutory laws that govern the duties and responsibilities of retirement fund trustees. The Fund has outlined its governance structure with clear reporting lines as well as defined roles and responsibilities. The Board is evaluated in terms of its performance. The Board is composed mainly of non-executive members with appropriate skills and qualifications.

Governance and risk management continued

Risk	Control
Fiduciary risk – the risk that fiduciary responsibilities are not fully respected or executed by the Board and service providers	<p>All Board members receive a comprehensive information pack which includes:</p> <ul style="list-style-type: none"> ◆ Board charter ◆ Rules of the Fund ◆ Duties of a Trustee ◆ Code of Conduct and Ethics Charter ◆ Policy and procedure for managing conflicts of interest <p>In addition:</p> <ul style="list-style-type: none"> ◆ Board induction training ◆ Board assessments performed annually ◆ Sentinel Retirement Fund Rules (published on its website). <p>The Executive Committee has implemented a system of internal controls to ensure effective segregation of Sentinel's duties and operations. The Executive Committee reports to the Board quarterly on the Fund's operational activities.</p>
Longevity risk – an actuarial term used to describe the potential risk associated with increased life expectancy among pensioners, which in turn could lead to an increased pensioner liability and an underfunded pensioner portfolio	<p>Actuarial analysis to identify and monitor mortality trends in Sentinel and the industry, and to make recommendations to the Board regarding mortality assumptions to be used in valuing the pensioner portfolio.</p> <p>Monitoring and evaluating of the valuation reserve.</p>
Pensioner liability funding risk – the risk that pension payments and pension increases become unsustainable into the future	<p>The risk is managed by reviewing the discount rate used to value liabilities, asset allocation of pensioners, and mortality assumptions. If the discount rate changes, the annuity tables are also updated to ensure new and current pensioners are treated fairly. The Fund also performs an asset liability analysis at least every 18 months to ensure the appropriate asset allocation mix is maintained to meet the liabilities. Mortality assumptions are also assessed annually to ensure these remain in line with the Fund's actual experience and industry trends. The estimated funding level of the pensioner pool is also calculated and monitored on a monthly basis.</p>
Asset liability mismatch – the risk that the assets held by the Fund will not fully match the liabilities as per the investment policy statement (IPS). The risk is therefore measured relative to the liabilities as defined in the IPS	<p>The asset liability modelling process is designed specifically to assess the risk of mismatches. The asset allocation and rebalance processes are designed to ensure Sentinel maintains an asset allocation that is appropriate to service its liabilities.</p>
Benefit funding risk – the risk that benefit multiples and contribution rates are not competitive and sustainable	<p>This risk is managed by monitoring the assets and claims against them monthly. A claims sub-committee to the Board manages the claims by ensuring that the rules of the Fund are consistently applied. Contributions to risk cover and benefit multiples are reviewed annually by the Fund's actuary to ensure this pool remains adequately funded.</p>

**Risk****Control**

Legal, regulatory and policy risk – the risk that a change in laws or regulations or deviation from Sentinel's policies or inappropriate business practices will materially impact a sector, market or security. A change can increase operating costs or change the competitive landscape. Non-compliance could lead to fines or loss of licence to operate. Poor adjudicator decisions that could lead to increased cost and inefficiencies

This risk is managed through representation on industry bodies to ensure changes are monitored and inputs provided on Sentinel's behalf. It is further managed through multiple internal controls including: supervisory controls, workflow process controls and comprehensive policies and procedures. Both the internal and external audit functions provide an additional level of oversight. External service providers are required to maintain adequate professional indemnity cover and internal control systems. Two independent audit firms are engaged to act as internal and external auditors. External and internal legal counsel is also engaged to advise on legal matters. The Executive Committee reports to the Board quarterly with respect to investment and contributions payment compliance. A compliance charter, a risk management plan and a compliance manual are in place. Active direct engagement with National Treasury and the Financial Sector Conduct Authority (formerly Financial Services Board) to ensure changes to the regulatory environment are monitored and managed closely.

Business environment risk – the risk that Sentinel does not monitor, anticipate, understand or react timely to changes in the external environment in which it operates

This risk is managed through appropriate monitoring mechanisms and adjusting Sentinel's operating model. The Executive Committee actively participates in local and global industry conferences, which not only provide up-to-date information on emerging industry issues, but also networking opportunities with peer groups. Sentinel's strategy is refreshed to ensure that it is fit for purpose and the strategic risk register is regularly updated and monitored.

Liquidity risk – this risk would occur should Sentinel be unable to realise assets at reasonable value on demand to meet its commitments as they fall due. This risk is increased by the maturity profile of the Fund and members leaving the Fund due to retrenchments

This risk is managed through its member growth and investment strategy including comprehensive cash flow analysis and modelling, asset/liability modelling, integrating long-term and short-term strategies and maintaining an adequate pool of high-quality marketable assets.

Governance and risk management continued

Risk	Control
<p>Investment risk – the risk of earning lower than expected returns or suffering permanent capital loss or assets not meeting liabilities. This risk includes the following:</p> <ul style="list-style-type: none">◆ Default (credit) risk – the risk that a counterparty fails to meet its commitment to repay capital and interest◆ Business risk – the risk that a company suffers and does not perform well or fails entirely◆ Inflation risk – the risk that future real value of investment (and therefore increases in benefit/pension) does not match increased costs of living◆ Interest rate risk – the risk that arises from changes in the absolute levels of interest rates, spread between interest rates and the shape of the yield curve. This has an impact on both asset (investment) and liability (benefit) values◆ Political risk – the risk that arises from change in political leadership or economic policy◆ Market risk – the risk of movement in security prices due to factors that affect the market as a whole	<p>This risk is managed by diversification of exposure across a spread of asset classes, regions, markets, sectors and currencies that is reviewed regularly; appropriate manager choice; ongoing monitoring and management of credit exposures. Purchasing risk free inflation-linked bonds and inflation beating assets. The IPS sets out limits in terms of permissible investments and credit quality requirements for a number of investment alternatives. Compliance monitoring and rules for correcting breaches at manager and portfolio level are strictly adhered to.</p> <p>The Investment Committee develops a strategic investment plan based on a liability-driven investing and asset liability modelling approach. Exposure levels are reviewed and modified as required by changing conditions by either rebalancing or hedging ensuring that there is sufficient flexibility. It is further managed by targeting specific levels of real returns through the appropriate mix of asset classes. The Executive Committee facilitates an annual formal strategy review session for the Investment Committee.</p>
Fraud risk – the risk of intentional misrepresentation of material fact by one party, inducing another party to act, with a consequential loss or damage suffered by the latter. It includes any act, omission and concealment of fact or abuse of position with intent to deceive, gain undue advantage or injure Sentinel's interests, whether there is any wrongful gain or loss	<p>This risk is managed by implementing an effective governance structure and risk management, internal controls, policies and procedures. There are system enforced controls; segregation of duties; as well as checks and balances in place. The Fund has an anti-fraud and corruption policy, a fraud response plan and fraud awareness training. The Executive Committee assesses risks and reports its findings to the Audit and Risk Committee.</p> <p>A whistle-blower hotline, managed by an external party, encourages staff members, Fund members or members of the general public, to report any misconduct. The Fund has a procurement and contract management policy and framework in place. All Board and sub-committee members, Executive Committee, staff and service providers are required to sign declarations on conflicts of interest.</p>



Risk

Operational risk – the risk of losses arising from systems failure, processing errors, fraud (internal and external), cybercrime, forgery and other occurrences. Non-compliance with regulation and policies and procedures

Control

Sentinel continues to evaluate and enhance existing frameworks, policies, methodologies, processes, standards, systems and infrastructure to ensure that operational risk management practices are pragmatic, adequate, effective and in line with regulatory developments. Operational risk is managed as part of routine operations by a system of internal control requiring segregation of duties, workflow, training programmes and internal and external audit reviews. The Board of Fund, in consultation with insurance advisers, regularly reviews the insurance cover of the Fund.

The disaster recovery and business continuity plan involves a process to identify critical business functions, processes and procedures to be followed in the event of an unforeseen disaster. The plan provides guidance to management for the complete restoration of core business functions and IT facilities. Risk mitigation strategies to combat cybercrime are being reviewed to ensure that controls are adequate and effective.

The comprehensive disaster recovery procedure (business continuity plan) incorporates full backup of all electronic files daily and these are stored off-site. In the event of a disruption in business, Sentinel has secured two disaster recovery sites that will ensure the restoration of operations to near full capacity within 24 hours. Both the plan and the recovery facilities are tested at least once a year.

What opportunities do these risks create?

At Sentinel we recognise that there is no real business opportunity without risk, but it is the art and science of balancing these risks with opportunities that allows us to create value for our stakeholders. Our risk management and governance frameworks are robust and practical enough to manage key risks in addition to empowering conscious risk-taking while delivering our strategic objectives.

By managing governance, fiduciary, operational and fraud risk, Sentinel will enhance its reputation, which in turn will allow it to execute its membership growth strategy.

By managing longevity risk through appropriate strategies, Sentinel will assure the long-term sustainability of the Fund. This will ensure that Sentinel can maintain its track record with regard to increases awarded to pensioners, enhancing its reputation and allowing it to execute its membership growth strategy.

By managing the legal, regulatory and policy risk as well as the business environment risk, Sentinel could maintain its status as an industry trendsetter, again enhancing its reputation and allowing it to execute its membership growth strategy.

By understanding liquidity and investment risks and adopting appropriate strategies to exploit the premium available, Sentinel can enhance investment returns and execute its membership growth strategy.

OUTLOOK:

The following focus areas, for which plans have been developed, flow from the strategic objectives:

1. Review of Sentinel's risk strategy to ensure that it is shaped by: its risk profile, appetite for risk, available resources, and future strategic intent and direction of the Fund
2. Implementation of more sophisticated risk assessment methodologies through the design of appropriate policies and processes
3. Risk training at various levels
4. Continuous improvement and formalising of risk activities at all levels.

Investment

Investment philosophy: Our investment strategy encompasses patience, discipline and perspective; focus on the long term; and income protection. Our asset allocation process is designed to achieve optimal sustainable long-term investment returns at a level of risk, which the Board considers acceptable, and which is cognisant of our payout obligations. We manage risk through diversification across geographies, asset classes, within asset classes and through position sizing. We approach investments in a responsible manner incorporating sustainability considerations, including the environmental, social and governance impact of our investments.

Sentinel's core investment beliefs:

- ◆ Market inefficiencies provide an opportunity to add value through active management
- ◆ Investment managers should be appropriately evaluated and incentivised to ensure alignment with the interests of the Fund
- ◆ Long-term performance is the culmination of various short-term outcomes. We seek to enhance long-term results by also understanding when shorter-term mispricing provides opportunities and ensuring implementation in a risk-controlled manner
- ◆ Long-term investments should be used to contribute to the transformation of the investment industry, the broader economy and society.

Our objectives:

The objective of the Fund, in terms of its rules, is to provide retirement and other benefits for members and pensioners. The principal long-term goal of the Fund is to optimise the benefits of our members and pensioners, having due regard to the term and nature of obligations and the associated investment risks.

In reaching this primary long-term goal, we strive to achieve the following associated secondary goals:

- ◆ Active members achieving a reasonable pension at retirement
- ◆ Appropriate benefits and inflationary growth in pensions during retirement, targeting a minimum increase of 80% of headline inflation
- ◆ Provision for disability and any dependants in the event of death
- ◆ Ensuring that, at the time of leaving the services of an employer, members are not prejudiced through short-term risk or adverse pricing

- ◆ Optimal choice of investment portfolios, given dynamic markets and changing member risk profiles
- ◆ Being a responsible investor.

Key inputs used in the development of the investment strategy of the Fund include:

- ◆ The nature of the Fund, being defined contribution for active members and defined benefit for pensioners
- ◆ The rules of the Fund
- ◆ Characteristics of membership derived from member data and mortality assumptions provided by the actuary
- ◆ Statutory requirements, in particular the Pension Funds Act
- ◆ The funding level of the pensioner portfolio
- ◆ Limitations placed on asset classes, either by the rules of the Fund or Regulation 28.



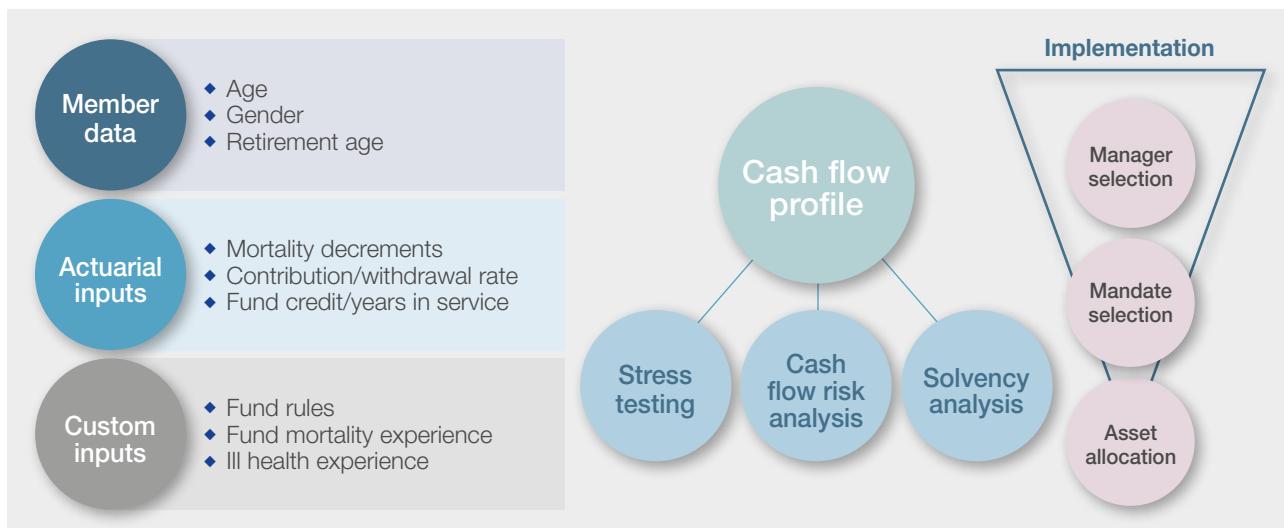
Our approach:

The asset liability modelling (ALM) process entails predicting future liabilities and matching these with an optimal set of assets to meet the liabilities at all levels of risk over time.

The Fund has a stream of potential cash flows that are required to meet future liabilities. These liabilities are the primary driver of the Fund's asset profile.

The Fund pursues a liability-driven investment (LDI) strategy that is tailored specifically to meet future cash flow needs (ie Fund liabilities). This provides a level of confidence that the Fund will be adequately funded to meet its liabilities over the long term, while addressing shorter-term cash flow needs. The LDI strategy seeks to minimise the volatility in the funding level (ratio of assets-to-liabilities) of the Fund's portfolios. By implication any external investment shock on the asset side is matched by a similar, but offsetting, impact on the liability side. The net effect is a funding level that is largely immune to shock.

Phase 1: Liability modelling – establishing the liability profile



The ALM enables the Fund to gain valuable insight into the liability structure of the different portfolios and stochastically models an asset structure to suit these liabilities. The ALM results provide a solid platform from which to make informed decisions regarding an appropriate investment strategy for the different portfolios.

Phase 2: Asset modelling – selecting the appropriate asset mix to meet the liability profile. Only primary assets are modelled



Investment continued

The Board of Fund follows a multi-portfolio approach for the various members of the Fund, each portfolio designed for specific members or purpose. Each portfolio therefore has different risk and return characteristics. Implicit to this selection is a component designed as a default 'life-stage' approach to pension funding for members, the balance used to ensure complete investment choice options.

With this approach the Board has selected:

1. Three distinct market-linked 'life-stage' portfolios as the default for active members
2. A low risk capital protection portfolio, a Shari'ah compliant portfolio and a money market portfolio that, together with the three 'life-stage' portfolios ensures a complete set of investment choice options
3. A portfolio designed to deal specifically with pensioners.

The Board of Fund approved two approaches in determining how members will be allocated to portfolios:

- i. **The first is default portfolio choice:** In the absence of any specific member instructions, the Fund allocates members into one of three portfolios depending on their age and term to retirement. This approach ensures that the individual member's risk reduces as the member approaches his/her retirement date. 'Life-stage' switches are carried out in the month of the

member's birthday in the year of a switch as determined by the 'life-stage' portfolio's term to retirement. At retirement date, the market value of the member's accumulated contributions, less any lump sum taken, is moved to the pensioner portfolio, where such assets are used to provide an annuity income, in terms of the pensioner income choice options, determined by the ruling pension conversion rates.

ii. The second is member investment choice:

The member can elect any of the portfolios available. While this option is available to all members, it is intended for the more sophisticated members with a better understanding of their specific circumstances and risk preferences. Returns earned by members are dependent on the investment portfolio choice. This allows recognition of the risk taken by the members in the different products. Under flexible investment choice, members are allowed full discretion in switching between portfolios. Two free investment choice switches per annum are allowed. All subsequent switches for the year attract a switching fee of 10 basis points, subject to a maximum of R5 000.

Default investment portfolios

Portfolios are designed to meet the specific needs of each category of members and as such have different risk and return profiles as reflected below:

Member portfolio

	<i>Wealth builder</i>	<i>Inflation protector</i>	<i>Pension protector</i>
Portfolio type	Aggressive	Moderate	Conservative
Life-stage	More than 12 years to retirement	Between five and 12 years to retirement	Less than five years to retirement
Investment objective	Inflation plus 5%	Inflation plus 4,75%	Inflation plus 4,5%
Risk tolerance	10% around benchmark	9% around benchmark	8% around benchmark



Each market portfolio is managed by allocating a different weight to each of the asset classes using the same underlying investment managers as building blocks. The asset allocation differences are used to adjust the risk and return profiles for the different portfolios.

Asset allocation ranges are reflected below:

Asset class	Wealth builder (%)	Inflation protector (%)	Pension protector (%)
SA equity	36 – 44	30 – 38	20 – 28
SA property	3 – 11	3 – 11	3 – 11
SA nominal bonds	0 – 5	0 – 9	0 – 9
SA short-term inflation-linked bonds	0 – 5	0 – 5	0 – 5
SA long-term inflation-linked bonds	9 – 19	11 – 21	23 – 33
SA money market	1 – 3	1 – 3	1 – 3
Africa equity	4 – 10	4 – 10	2 – 8
Foreign equity	13 – 21	13 – 21	13 – 21
Foreign property	0 – 8	0 – 8	0 – 8
Foreign bonds	0 – 5	0 – 5	0 – 5
Foreign money market	0 – 3	0 – 3	0 – 3
Emerging market equity	2 – 10	2 – 10	1 – 9
China equity	0 – 7	0 – 7	0 – 7

All portfolios are subject to Regulation 28 compliance.

The asset allocation of portfolios is allowed to move within ranges and is monitored on an ongoing basis. Should an asset class move beyond the approved range, an asset class reallocation will be triggered based on an approved asset rebalance process. The investment strategy dynamically adjusts for major local and foreign market or economic shifts. In this regard portfolios are specifically protected when circumstances require. Short-term asset/market pricing discrepancies are further exploited through a global tactical asset allocation mandate.

The Board, having reviewed the default investment portfolios in November 2018, confirms that the Fund's default investment portfolios meet with the requirements of Regulation 37 and are appropriate for the members who will be automatically enrolled into them.

Investment continued

Annuity strategy

The pensioner portfolio is designed to deliver (but does not guarantee) a net investment return of 4.0% per annum above headline inflation over the long term. The portfolio has a low risk/return profile (risk tolerance of 7% around benchmark) and aims to meet inflation-adjusted pension payments.

Given the risk and return parameters, the current asset structure required to meet the Fund's objectives are reflected in the table below.

Asset allocation ranges are reflected below:

Asset class	Pensioner (%)
SA equity	18 – 26
SA property	3 – 11
SA nominal bonds	0 – 9
SA short-term inflation-linked bonds	0 – 5
SA long-term inflation-linked bonds	24 – 34
SA money market	1 – 3
Africa equity	4 – 10
Foreign equity	13 – 21
Foreign property	0 – 8
Foreign bonds	0 – 5
Foreign money market	0 – 3
Emerging market equity	2 – 10
China equity	0 – 7

In-Fund pension income choice

Tier 1	R150 000 pa	Tier 2	Tier 3
Guaranteed annuity			
<i>Guaranteed for life</i>			
Spouse provision	75% or 100%	Spouse provision	0% to 100%
Term certain	5 years to 25 years	Term certain	5 years to 25 years
<i>With profit</i>			

The options set out adjacent apply to a member's Fund credit after payment of any lump sum.

The Tier 1 guaranteed pension is compulsory for all members who retire within the Fund. The guaranteed pension is calculated using factors supplied by the actuary after taking into account the exercise of any option in terms of the Rules.

Retirees with sufficient capital to qualify for a Tier 1 monthly guaranteed pension of at least R12 500, may elect to provide for more than one pension with the balance of their capital. Once a retiree has fulfilled this obligation, he/she may select one or two additional pension options from the pension income choice model with the remaining capital.

The flexible pension option provides for capital to be invested in the Fund's investment portfolios with individual choices offered in the same manner that applies to members. The pensioner selects the value of the monthly pension draw down on an annual basis, on his/her retirement anniversary date. In terms of current regulations, this pension drawdown may vary between 2.5% and 17.5% of capital per year. Retirees who select the flexible pension option at retirement may convert to a Tier 2 guaranteed pension option on any future retirement anniversary date.



Actuarial valuation

To determine the solvency for the pensioner grouping the total pension liability (including both monthly pension payments and death benefits to pensioners) needs to be compared to the total assets allocated to pensioners (the pensioner reserve), as this reserve is ring-fenced and separate from the rest of the Fund. The portfolio is considered solvent when the value of the assets exceeds the value of liabilities, ie has a funding level of 100% or greater. The funding level is the ratio of the value of assets to the value of liabilities of the Fund.

The assumptions used for the valuation of the pensioner liabilities in the last actuarial valuation is provided in the table below (the corresponding assumptions at the previous statutory valuation date are provided for comparative purposes):

	30 June 2019	30 June 2018
Net post-retirement discount rate	6.38%	5.90%
Net post-retirement discount rate for solvency reserve	5.20%	4.60%
Spouse's age difference (if unknown)	four years	four years
Post-retirement mortality	PA90 table adjusted by 0.5% per annum mortality improvement	PA90 table adjusted by 0.5% per annum mortality improvement
Expenses (as a % of total pension payroll)	2.0%	1.0%

This post-retirement discount rate (PRI) drives the Trustees' pension increase policy. The PRI is calculated on the risk premium approach. As per PF Notice No 2 of 2016, the growth risk premium (equity and property) added to the reference rate may not exceed 3% per annum. This rate is reviewed on a monthly basis.

The Board, having reviewed the annuity strategy in November 2018, confirms that the Fund's annuity strategy meet with the requirements of Regulation 39 and the annuities are appropriate and suitable for the specific classes of members who will be enrolled into them.

The financial assumptions used in the calculation of the value of the liabilities are derived from investment market conditions at the valuation date, in order to achieve a consistent comparison with the market value of the assets. The value of the assets of the portfolio at valuation date is stated at their fair value.

Given the Board of Fund's objective of granting pension increases at 80% of inflation, the liabilities are valued using a discount rate at 80% of inflation.

IPS changes

The most significant changes made to the IPS during the current financial year relate to the following:

- ◆ Asset allocation
- ◆ Manager selection and investment structure
- ◆ Responsible investment policy
- ◆ Securities lending policy.

Details of specific changes are available, on request, to any member or contributing employer.

An abridged version of the IPS is available, on request, to any member or contributing employer of the Fund at no cost. The IPS is also available on the Fund's website.

Responsible investing

As a responsible investor, we take shareholder engagement seriously and employ CRISA as a framework for implementing our active ownership. We adhere to the guiding principles of CRISA.

The Fund and its role-players should be cognisant of the environmental, social and governance factors that impact its operating environment. The Board of Fund recognises responsible investing (including proxy voting and high-impact investments) as part of the Fund's investment strategy and will review it from time to time.

All investments should meet responsible investment guidelines. Investment managers in particular are expected to consider and apply responsible investment principles. Investment managers will be expected to provide a written report, on request, on their responsible investment approach, including sustainability considerations and the application thereof.

Investment continued

Investment management

We engage service providers who we believe will contribute to us attaining our long-term goals. To achieve an optimal risk/return profile we apply a well-diversified multi-manager investment structure.

The Fund employs a building block approach whereby a variety of specialist investment managers are selected based on perceived skill and potential benchmark outperformance for mandates selected for each asset class. This approach includes considering the merits of active and passive investments. Diversification is applied across and within asset classes, is considered prudent and decreases portfolio risk. Cost considerations that apply to diversification are taken into account and a balance is struck between the mitigation of risk and the cost associated with diversification. The Fund employs the services of a tactical asset allocation (TAA) expert to enhance the performance of the Fund through positioning the asset allocation of the Fund slightly differently to the strategic asset allocation in order to benefit from short-term market mispricing.

Manager choice risk is taken to add additional alpha (ie to make up the difference between expected asset class returns and targeted portfolio returns). The Fund's assets are managed by appointed investment managers, with best-in-class managers selected for all mandates. Each of the appointed managers pursues their own strategies and control the investments of their particular portfolio only. Each investment manager is expected to exercise judgement in choosing appropriate investments. Investment managers are monitored and managed dynamically for maximum management and performance efficiency. Our monitoring includes a formal annual feedback session to the Investment Committee. With the exception of unlisted investments, all mandates report market values and exposures daily. The daily market values (prices) are compared to live system prices (Bloomberg and I-Net) and benchmarks to ensure accuracy and reasonability of reported values. These daily market values, together with any cash flows, are used to strike member portfolio unit prices on a daily basis, which in turn allows our members to switch between

portfolios each day. The daily exposures are used to measure and ensure compliance with Regulation 28 and mandate limits. The performance of investment mandates and asset classes are measured and compared to benchmarks daily. Discrepancies are immediately followed up in every instance.

The approach applied by the Fund is that of mandate blending, which recognises distinct style components in the portfolio and manages them separately in order to reduce the implicit risks and biases resulting within each mandate. Benchmarks provide the rational anchor for the long-term investment strategy of each portfolio. Benchmarks are set for each asset class and each mandate. In addition, a performance target is set for each mandate, which requires the manager to add performance alpha over and above the benchmark return. All portfolio, asset class and investment manager risk and return are also subject to a peer group review.

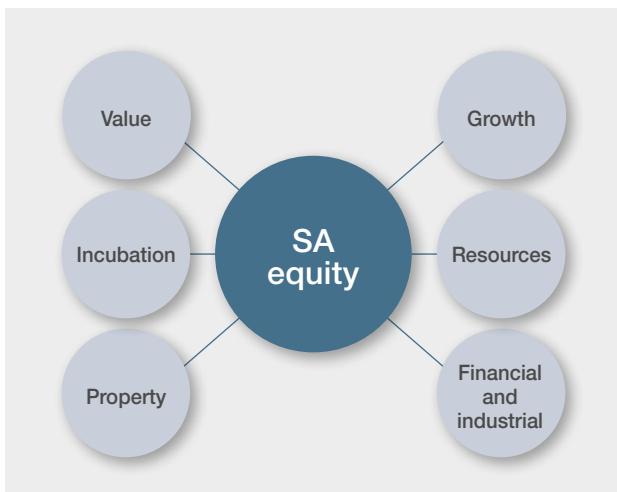
Portfolio performances are measured against both an inflation-linked long-term performance objective as well as against an asset-based performance benchmark. The asset-based performance benchmark is the weighted average performance of the strategic allocation to underlying asset classes. While long-term performance is measured over 60-month cycles, it is recognised that sound long-term performance is dependent upon an accumulation of sound short-term performance. Shorter-term performances are therefore monitored and used to assess the impact of change.

Sentinel currently contracts the services of 43 investment managers (75 investment mandates). These numbers do not include underlying managers in the case of multi-manager or fund-of-fund structures. In addition, we employ the services of nine securities lending desks to generate additional income.



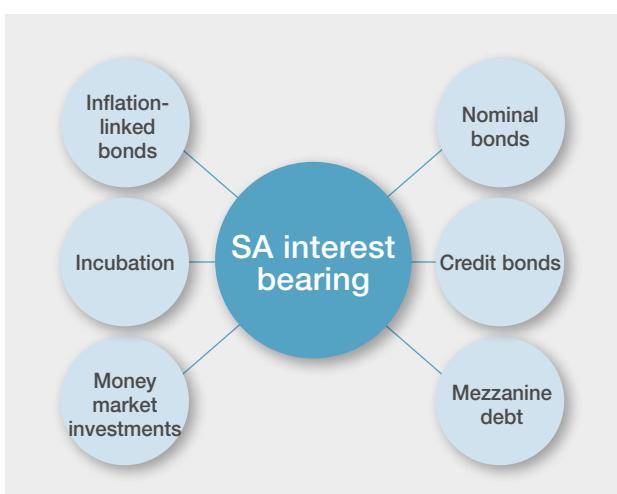
South Africa – listed equity

The benchmark for equity managers is the 15% capped FTSE/JSE shareholder weighted total return index, adjusted subject to mandates. The benchmark for listed property managers is the FTSE/JSE all property total return index.



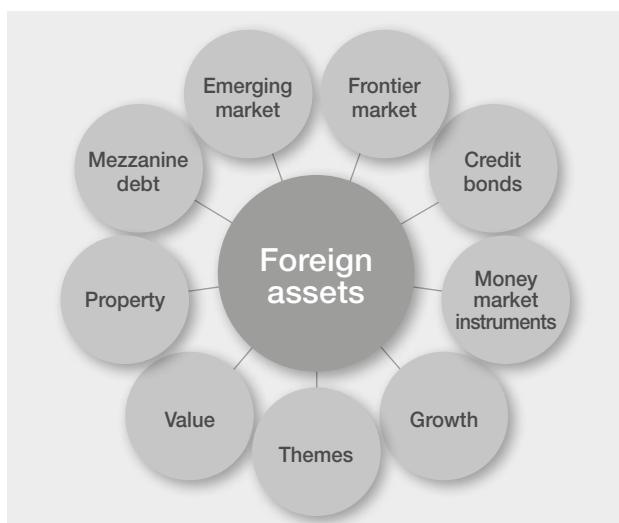
South Africa – interest bearing

Given its characteristic of being a natural hedge for pension fund liabilities, Sentinel's bond exposure is largely through inflation-linked bonds. Our benchmark for nominal bond managers is the BEASSA total return all bond index. For inflation-linked bond managers, we utilise the JSE composite inflation-linked index (CILI) 12 years and over total return index. Our benchmark for money market managers is the Alexander Forbes composite short-term fixed interest index.



Foreign

The benchmark for Africa equity managers is the MSCI EFM Africa (ex SA) total return index; the S&P all Africa (ex SA) capped total return index or a combination thereof. The benchmark for foreign equity managers is either the MSCI (world) (net) total return index or the MSCI (all country world) (net) total return index, adjusted subject to mandates. The benchmark for emerging market equity managers is the MSCI emerging markets (ex SA) total return index. The benchmark for China equity managers is the MSCI China A onshore (net) total return index; the MSCI China (net) total return index or a combination thereof. The benchmark for foreign-listed property managers is the FTSE EPRA/NAREIT developed rental total return index. Sentinel is exposed to credit bonds, but the fixed interest beta is swapped for equity beta and hence classified as equity within the asset allocation.



Alternatives

Sentinel invests in a combination of fund-of-private equity funds, single private equity funds, fund-of-hedge funds, unlisted real estate funds, infrastructure funds, energy funds and derivatives.

OUTLOOK:

The Board and the Investment Committee have identified the following issues to focus on in the upcoming period:

- ◆ Further review and enhancement of the multi-manager structure and our product offering
- ◆ Continued focus on improving the Fund's cash flow profile
- ◆ Further enhancement to cost and fee disclosure
- ◆ Further enhancement to member investment-related communication
- ◆ Expanding on sustainability investment monitoring and reporting

Growth

Member/participating employer growth

Our objective:

Our principal goal is to ensure Sentinel's long-term sustainability.

In reaching this goal, Sentinel works to achieve the following secondary goals:

- ◆ Promote Sentinel's reputation to potential new clients and their employees by offering a superb value proposition, ie superior long-term investment performance and pension increase history linked to low-cost structures
- ◆ Approach our employer clients to offer membership opportunities to new and existing employees
- ◆ Offer the right product combinations without jeopardising the value proposition

- ◆ Use systems, policies and other capabilities to entrench Sentinel's market leadership position and products to the existing membership base
- ◆ Create a long-term positioning strategy and define a niche marketing strategy
- ◆ Carefully manage risks and threats
- ◆ Manage market perceptions:
 - Look and feel
 - Communication
 - Gradual repositioning
- ◆ Development of a growth and retention plan based on the following:
 - Appropriate products
 - Marketing structure and options
 - Target markets
 - Controlled growth
 - Leading role in industry consolidation
 - Existing member retention.

Our approach:

We aim to provide appropriate benefit products and options within the ambit of legislation. We actively engage with members, pensioners, organised labour and employers and promote Sentinel through effective communication, education and advice. Our aim is to influence and guide the decision-making process of members, pensioners, organised labour and employers.

OUTLOOK:

The Board and Business Development and Review Committee have identified the following focus areas for the coming financial year:

- ◆ Membership and participating employer growth and retention
- ◆ Enhance online accessibility for all stakeholders
- ◆ Enhancement of products and services to enable a holistic and value added offering to participants.



People

Our objective:

Our goal is to attract, retain and develop people with the appropriate skills and talent, and to create the right culture, so as to ensure that the human resource function can support the attainment of the Fund's strategic imperatives.

Our approach:

We believe that with transformation and capability growth within the right psychosocial environment we will be able to support the Fund's overall business objectives. To this end, we strive to create a learning organisation in which self-development, education, training, coaching and exposure is encouraged and supported for all employees. In particular, we encourage career growth for previously disadvantaged groups through training, development and education programmes. Sentinel is committed to the underlying principles of the Employment Equity Act and the Basic Conditions of Employment Act.

We continually enhance systems and processes to meet the unfolding needs of members and pensioners. To ensure our skills set can meet the challenges inherent to the process, we continuously build our intellectual capital. Our employees are engaged with our Ethics Charter, which guides our behaviour.

OUTLOOK:

The following initiatives are planned for the upcoming period:

- ◆ Ongoing implementation of a broad-scale technical and skills development strategy based on the completed employee skills audit to match competency and technical skills mapping for the purpose of capacity development and succession planning
- ◆ Continued focused development of previously disadvantaged and other key individuals through coaching, training, mentoring and educational support
- ◆ Implementing individual development plans to address transformation objectives
- ◆ Redevelopment of the performance appraisal process on both executive and general employee levels
- ◆ Identifying opportunities to accelerate progress in employment equity
- ◆ Identifying candidates for the fifth round of the learnership programme, while streamlining the programme
- ◆ Identifying specific opportunities to structure areas of the Fund so as to optimise productivity and facilitate transformation.

People

Technology

Our objective:

Our principal goal is to ensure that the Fund can serve the needs and service expectations of our stakeholders, efficiently and cost-effectively.

In reaching this goal, we work toward the following secondary goals:

- ◆ Ensuring that systems are operational 24/7
- ◆ Ensuring that the systems are operated within the rules of the Fund and applicable laws
- ◆ Protecting data and systems
- ◆ Archiving all data daily and store securely off-site for a minimum of five years
- ◆ Taking advantage of new technology to enhance the overall service delivery of the Fund.

Our approach:

- ◆ We embrace information technology as a critical enabler for business
- ◆ Our software and system providers are known world leaders in their respective fields
- ◆ Our use of appropriate technology enables Sentinel to offer its stakeholders the best solutions and services available
- ◆ Employees regularly attend IT training and seminars to stay abreast of new opportunities and threats
- ◆ Sentinel's comprehensive disaster recovery procedure incorporates full backup of all data daily to a secure off-site location. In the event of a business disruption, two disaster recovery sites are in place and ready to restore operations to full capacity within 24 hours. Sentinel's business continuity plan and disaster recovery facilities are tested for readiness at least once a year.

OUTLOOK:

The next financial year will see continued focus on:

- ◆ Business process management improvements and optimisations
- ◆ Member communication channels to facilitate effortless access to relevant information and self-help tools, 24/7
- ◆ Business intelligence for management decision making and trend identification.





Material matters

Materiality

Sentinel's Board and executive management present the information in this integrated annual report as relevant or 'material' to our key stakeholders for a properly informed understanding of Sentinel's performance over the past year, as well as insights into our forward strategy. Sentinel's leadership evaluated the available information with two primary questions in mind: 'who is our reporting aimed at?' and 'what decisions will they be able to make from our reporting?'.

When deciding what information should be included in this report, we considered the relative importance of each matter in terms of the known or potential effects of these on Sentinel's ability to continue creating value. These were prioritised for relevance to the report users, so that non-pertinent information could be set aside, or shared through other channels. We intend to populate a complete integrated annual report that is unburdened with the peripheral data that tends to confuse rather than enlighten.

Sentinel's potential material matters emerge through our risk management process and stakeholder feedback. The Audit and Risk Committee meets three times a year to review all risk management processes, procedures and outcomes. These risks are discussed in the report of the Board of Fund.

Identified material issues are put through a materiality process that considers a topic's qualitative and quantitative aspect; the influence, legitimacy and urgency of the stakeholder raising the topic; the boundary of the topic; and Sentinel's ability to affect change with regard to our impact on the topic. The materiality processes involve getting the Board and executive management to workshop and prioritise identified issues. Ultimately the decision to report a topic as a material matter is based on the Board and management's view of the topic.

Sentinel's material matters

Investment management in low-return environment

The Fund has managed to safeguard relative performance in line with long-term real return targets. This is becoming increasingly difficult in the current low-return investment environment when combined with higher levels of inflation. Global geopolitical upheaval and uncertainty, continued local political and policy uncertainty, degeneration of infrastructure and poor service delivery also did not ease the pressure on the investment environment.

Our tested and proven business model is based on recognising and managing risk through a prudent yet knowledgeable approach to ensure investments are well diversified across regions and managers. Sentinel deploys

in-house expertise to oversee individually top-rated investment managers, robust IT systems and transparent governance processes.

Declining mining industry

Mining in South Africa is considered a mature industry based on dwindling resources. Low commodity prices and regulatory uncertainty offer little incentive to expand existing operations or launch new ventures. The spate of mine closures or downsizing continued during this financial year and prompted many retrenched miners to withdraw their funds to either use their retirement capital to survive during difficult economic circumstances or reinvest elsewhere at an increased investment cost.

Although Sentinel restructured as a multi-industry retirement fund to serve a broader range of employers and members outside of the mining sector, attracting new employers has proved to be difficult as many employer companies prefer a 'one stop' service provider that can offer pension fund, provident fund and other related products and services as a holistic solution to their employees' needs.

This, coupled with the decision by government to postpone until March 2021 implementation of the Taxation Laws Amendment Act, which was originally scheduled to become effective on 1 March 2016, has been a

Material matters continued

setback to our growth plan, as provident fund members transferring to Sentinel before this date will not enjoy the proposed protected vested rights. As a result, several employers linked to provident funds have suspended their potential participation in Sentinel.

Total asset value, at present, remains sufficient for Sentinel to maintain our competitive cost structure and we are actively attempting to market the Fund to prospective new participating employers.

Sustainability of pension portfolio benefits (mortality and ageing pensioner population)

People, in general, are becoming more conscious about adopting healthy lifestyles, while pharmaceuticals and medical technology continue to improve rapidly. As a consequence, individuals are generally living longer. The effect on retirement funds such as Sentinel is that we have to provide for the additional

liability of making more payments per pensioner than previously.

High levels of inflation and other economic disruptions may substantially reduce the real value of pensions being paid. Sentinel is required to pay guaranteed pensions until the death of the recipient, regardless of the value of the pension or of the funding asset. Nevertheless, in terms of the Sentinel ethos, we always strive to keep pensions as close to the real value of the pensioner's retiring pension as we realistically can.

Sentinel continually works to balance the short-term expectation of the pensioner against the longer-term drag of inflation to protect the sustainability of the Fund. We do this by annually assessing mortality assumptions against the Fund's actual experience and industry trends. The estimated funding level of the pensioner pool is also calculated and monitored on a monthly basis.

Sustainability of the business

Sustainability in this context is the ability of the Fund to conduct its business in a manner that primarily meets existing needs without compromising the ability of future generations to meet their needs. This includes managing the interaction of the Fund with the environment, the society and the economy in which it invests and operates towards a better long-term outcome.

Recent local and global events, including natural disasters and socioeconomic unrest, have once again highlighted that pension funds as major providers of long-term capital have a very important role to play in guiding authorities, business and broader economic activities towards implementation of policies and plans that are both inclusive and sustainable.

This will require the Fund to redouble its efforts in assessing the sustainability and impact of its investment exposures and its business operations.



Key stakeholders

Stakeholders are those parties who can affect or be affected by Sentinel's activities, objectives and policies.

Sentinel's key stakeholders are our members, pensioners, beneficiaries and participating employers. Our other stakeholders include organised labour groups, investment managers, government and the Fund's regulator and service providers.

Why Sentinel engages with our stakeholders

Regular engagement with stakeholders helps us to manage the Fund more effectively and mitigate against potential risks. Stakeholder engagement enables us to identify and act upon the issues that affect our business; it improves our understanding of stakeholder expectations; and strengthens transparency and accountability. For accurate planning and forecasting, it is imperative that stakeholder input informs Board and management's decision making.

Why stakeholders engage with Sentinel

Our stakeholders engage with us as Sentinel's business operations have a direct or indirect impact on their lives or their work. For

example, our members and pensioners engage to ensure that their financial interests are being well managed.

Sentinel's stakeholder relationship performance 2019

Sentinel receives few complaints, which demonstrates that the Fund's members and pensioners are overwhelmingly satisfied with Sentinel's performance. Although all complaints are considered seriously, in some instances Sentinel is bound by the terms of the Pension Funds Act to override certain complaints. Complainants who remain unsatisfied may take their grievances to the Pension Funds Adjudicator who will make determinations which are binding on the parties.

Sentinel's default options and products remain appropriate to the vast majority of members. During the 2019 financial year, Sentinel held a number of successful stakeholder national outreach campaigns through roadshows aimed at informing and educating members, pensioners and beneficiaries

about their benefits and to educate them about the operations of the Fund.

Employer-appointed Board members ensure feedback from this stakeholder group is inherent in the Fund's strategising and decision making. The remaining Board members comprise representatives from organised labour, enabling a 360° view of employer, employee and pensioner affairs.

Sentinel enjoys cordial working relationships with the regulator and National Treasury, which regards Sentinel as a major player in investment markets. As a shareholder in many South African companies, Sentinel monitors their performance and performs an active shareholder role when necessary. We are vigilant in protecting the investments of our stakeholders, especially when it appears that companies are making poor decisions or overpaying their leadership.

Key stakeholders continued

Stakeholder	Our stakeholders' interests	Our response	Our engagement strategy	Outcome
Members	Retirement savings that meet expectations	Members choose from flexible products Education and advice Product development	Newsletters, brochures Group sessions Individual consultations Website and online portal	Retain member trust and enhance reputation
Pensioners	Sustainable pensions that stay abreast of inflation	Annual pension increases Education and advice Pension income choice	Newsletters Annual information session SMS communication Website	Retain pensioner trust and enhance reputation
Participating employers	Benefits that meet their employee needs	Flexible employee products	Group and individual visits Written communication Information sessions Website	Sound, long-term relationships
Organised labour	Appropriate benefits for their membership	Flexibility of products and options	Represented on Board of Fund	Sound working relationships and trust
Government	Regulatory changes (impact on effective investment management)	Proposals on alternatives	Formal submissions Engage through industry body representatives	Influence proposed changes
	Social security reform (impact on membership)	Awaiting final proposals	Formal submissions Engage through industry body representatives	Influence proposed changes
Investment managers	Investment risk/return (low-return/high-volatility environment)	Constant monitoring	Formal annual feedback session Regular informal updates	Update expectations Adjust strategy as required
Regulator	Adhere to rules and regulations as well as accepted best practice Risk management Increased complexities brought about by new regulations	Independent compliance function Audit and Risk Committee Constant monitoring	Proposals and feedback on relevant matters	Achieve best practice levels of compliance



Board of Fund

We believe that good governance is good business because it helps us deliver long-term stakeholder value. As a retirement fund, we measure ourselves against standards for good governance, internal controls, risk and compliance management that reflect best practice and high standards of stewardship.

Governance links decision-making authority to accountability and ensures that those managing Sentinel are capable and that their interests are properly aligned with the interests of those they serve. Sentinel is committed to the highest levels of corporate governance, compliance and transparency and employs six Board sub-committees to support its role in managing and monitoring the affairs of the Fund. Sentinel is committed to the principles of sustainability reporting where applicable.

Given the current operating environment, Sentinel is sustainable in its areas of operation over the short and long term. Confirmation of this, together with relevant information applicable to stakeholders, can be found throughout this integrated annual report.

Governance practices

Sentinel is overseen by a Board with an independent mindset and financial, legal and other relevant expertise. Its knowledgeable counsel is an invaluable resource for good decision making and effective management. Strong practices have, over the years, contributed to building Sentinel's reputation as a top performer from an investment perspective, and a superior provider of pension and member services. We are guided by the governance principles enshrined in PF130 and King IV™.

Responsibilities of the Board

The Board's sole function and focus is to direct, control and oversee the operations of Sentinel in accordance with the rules of the Fund and applicable laws. The Board's authority is derived from the rules of the Fund. The Board is ultimately accountable and responsible for the management and performance of the Fund. It upholds this responsibility by overseeing the strategic direction and leadership, ensuring good corporate governance and ethics, determining policy, agreeing on performance criteria and delegating detailed planning and implementation of policy to the Executive Committee.

The Board has delegated its sub-committees to assist in discharging its duties and responsibilities. Sentinel's day-to-day management is delegated to the Chief Executive Officer, supported by the Board's further delegation of authority to other Sentinel employees covering significant operations of the Fund. No member of management is a Board member.

The Board robustly challenges and approves strategic plans, the annual budget, the IPS, other policies and the Code of Conduct and Ethics Charter for the Board, employees and service providers. The Board reviews progress against strategic objectives and

confirms that strategies and decisions are aligned with the interests of all stakeholders. The Board reviews and approves its own charter and committee mandates.

The following committees support the work of the Board:

- ◆ Audit and Risk Committee
- ◆ Investment Committee
- ◆ Business Development and Review Committee
- ◆ Claims Committee
- ◆ Human Resources and Remuneration Committee
- ◆ Nominations Committee.

The committees do not perform any executive functions. They provide a forum for discussing issues within their mandate and the development of recommendations for consideration and approval by the Board. A report-back of the committee meetings is done at subsequent Board meetings.

As an important component of Sentinel's governance framework, these mandates are documented for each committee and for the Board itself. These documents outline and clarify various roles and responsibilities in the Board's governance process. The Board approves and reviews the mandates, performance and effectiveness of the sub-committees on a regular basis. Processes are followed to ensure that information, required by the

Board of Fund continued

Board and its committees to function properly, is accurate, complete and delivered in a timely manner.

Effective oversight and controls

The Board meets regularly to monitor Sentinel management's compliance with policies and its achievements against objectives. A structured approach is followed for delegation, reporting and accountability. The Board mandated various sub-committees to assist the Board in discharging its duties.

Management reports to the Board regarding the changing status of risks. This supports good decision making, allowing sufficient time for Board members to probe management's evaluation of growing risks. Experts on investment and economic-related topics regularly brief the Board on key or complex matters.

Board in action

- ◆ Strategic planning process refinement
- ◆ Review and approval of strategic objectives and operational plans
- ◆ Review vision and mission statement
- ◆ Consideration of various business development and growth alternatives
- ◆ Consideration and approval of annual pension increases and bonuses
- ◆ Review of the actuarial valuation of the pensioner pool
- ◆ Review and approval of annual risk benefit adjustments
- ◆ Review and approval of general and special rule amendments
- ◆ Consideration and approval of annual costs, budgets and the recovery of costs.

Training

Trustee training sessions during the period under review covered the following topics:

1. Introduction to Sentinel Retirement Fund
2. Information workshop covering:
 - ◆ the global retirement landscape and Sentinel's positioning within it
 - ◆ Trustees fiduciary duties and retirement fund legal obligations
 - ◆ Sentinel organisational structure
 - ◆ risk benefits
 - ◆ combined assurance and risk management
 - ◆ investment strategy
 - ◆ treating customers fairly
3. Principles for responsible investments.

All trustees and sub-committee members have successfully completed the FSCA trustee toolkit.

Board and sub-committee evaluation and assessment

Given the changes to the membership of the Board and its sub-committees on 1 July 2018 the Board decided to postpone the self-evaluation and assessment against the requirements of PF Circular 130 and mandated responsibilities to the end of 2019. This evaluation is intended to assess the effectiveness of the Board and its sub-committees in key areas. The Board and sub-committees discuss how they can improve performance against their mandates.

The Board, with the assistance of the Nominations Committee, consider the following when making Board or sub-committee appointments:

- ◆ the collective knowledge, skill and experience required
- ◆ whether candidates meet the appropriate fit and proper criteria.

The Nominations Committee reviews both the Board and sub-committees composition on an annual basis to ensure the above mentioned requirements are met.

The Board, having applied its mind, believe that all sub-committees have the collective knowledge, skills and experience required to fulfil their mandated responsibilities.



Treating customers fairly

To ensure the focus of all deliberations and interactions is member centric, the Board and all sub-committees have the treating customers fairly principles, as reflected below, as a standard agenda item:

Culture:

The Fund is managed and administered in such a way that the fair treatment of members is central to its culture and puts the members first.

- ◆ Self administered with no profit motive
- ◆ Mutual society for the benefit of participants
- ◆ Only actual costs are recovered.

Products and services:

Products and services are appropriate for members.

- ◆ Members – risk profiled portfolios through a default ‘life-stage’ model and member investment choice; pension income choice at retirement; risk benefits; pension backed home loans; and advisory services
- ◆ Pensioners – spouse pensions and term certain guarantee as selected at retirement; living annuity conversion to guaranteed pension after retirement; DBS cover for some; medical deductions; and advisory services.

Clear and appropriate information:

Members are kept appropriately informed.

- ◆ Website and secure portal
- ◆ Electronic communication via SMS
- ◆ Benefit statements for members and pensioners
- ◆ Newsletters – bulletin for members and informant for pensioners
- ◆ Newsflashes – breaking news bulletin and breaking news informant
- ◆ Brochures – each benefit type; RSA income tax; home loan guarantees; and member booklet
- ◆ Group presentations – pensioner roadshow; at workplace; and regional
- ◆ Individual consultations
- ◆ Pensioner payslips.

Member advice:

Advice received by the Trustees and/or members is appropriate.

- ◆ Advisory service for members and pensioners in groups; and individual consultations
- ◆ Trustees receive legal, actuarial, industry, investment management and financial advice from experts.

Product performance expectations:

The products and services provided to members perform in line with what members have been led to expect.

- ◆ Risk profiled portfolios are appropriately structured for different life stages and performance targets, asset allocation, risk tolerances and cost expectations are communicated
- ◆ Active investment management provides superior returns
- ◆ Monthly investment performance, asset allocation and cost reporting via portfolio fact sheets.

Post-sale barriers:

The Trustees make it easy for members to make changes and to transact with the Fund.

- ◆ Website provides brochures, application forms, and all Fund printed material
- ◆ Online portal provides access to member share of Fund values; member account transactions; benefit estimate calculator; benefit statements; and pensioner payslips
- ◆ Call centre
- ◆ Walk-in centres in Parktown, Carletonville, Welkom, Emalahleni and Klerksdorp.

Audit and Risk Committee

Name	Age	Notable qualifications	Meetings attended*
F Cooper (Independent non-executive Chairman)	67	CA(SA)	3
M Ally	51	MBA	1
Dr JPL Bezuidenhout	59	PhD (Management and Business Administration)	3
D Earp	57	CA(SA)	3
H Hickey	65	CA(SA)	3
G Kapp	60	CA(SA)	3
H Pearson	49	BCom (Management)	2
AJ Pienaar	55	CA(SA)	3
D Smith	75	National Development Programme	3

By invitation

AB la Grange (Chairman of the Board)	FJ Visser (Chief Executive Officer)
JS Fouché (Chief Financial Officer)	MM Mananye (PO/Chief Risk and Compliance Officer) ⁺
MJ Mitchley (Chief Operations Officer)	PAC Momberg (Chief Information Officer)
Internal auditors	External auditors

* Meetings held: three.

⁺ Passed away 28 April 2019.

Mandate

- ◆ Management of risks and costs
- ◆ Combined assurance assessment
- ◆ Safeguarding of assets
- ◆ IT framework assessment
- ◆ Review compliance with regulation, applicable laws and codes of conduct
- ◆ Monitor effectiveness of internal controls and reporting
- ◆ Approve external audit plan and fees
- ◆ Approve internal audit plan and fees
- ◆ Review and approval of the annual financial statements
- ◆ Review internal and external audit reports
- ◆ Evaluate internal and external audit performance.

Committee in action

- ◆ Review and approval of internal and external audit plans and fees
- ◆ Review annual financial statements and integrated annual report
- ◆ Performance assessment of management, internal audit and the external auditor
- ◆ Review internal control environment and assess risk environment.

To achieve its objectives, the Audit and Risk Committee has drawn together various assurances, including those of management, internal audit, external audit and actuaries. This committee schedules meetings with the internal and external auditors which are not attended by

Sentinel's management, to ensure that Sentinel's standards are adhered to, and that policies and procedures are still relevant. The appointed internal auditor reports directly to the Audit and Risk Committee.

The Audit and Risk Committee is satisfied that Sentinel's internal controls remain effective and will enable accurate financial statements for the year to be compiled. This conclusion is based on information received from management, Sentinel's appointed actuary and the internal and external auditors.



In this year of review, the Audit and Risk Committee did not find any instances of:

- ◆ material breach of any laws or legislation
- ◆ material breach of internal controls or procedures.

IT governance

The Audit and Risk Committee concluded that Sentinel's IT department manages its responsibilities in a logical and cost-effective manner. Sentinel is guided by the IT governance principles laid out in the King IV™ Code.

The governance assessment was based on the following:

- ◆ Board responsibility
- ◆ Performance and sustainability
- ◆ IT governance framework
- ◆ IT investment
- ◆ Risk management
- ◆ Information security
- ◆ Governance structures.

Governance and risk management performance

KPI – Risk dashboard

Objective:	Outcome – 2019
Ensuring residual risk is maintained within the Fund's risk tolerance range.	During the current financial year, the Board reassessed, through the Audit and Risk Committee, the combined assurance obtained from management, internal and external assurance providers in the risk areas affecting the Fund. The overall risk profile of the Fund was also reassessed and updated.

The top risks by residual risk rating are:

Risk description	Residual rating
The long-term growth needed for continued sustainability may not materialise without a clear growth strategy	Red
The pace of transformation regarding the workforce may be at a slower pace or misaligned with the growth strategy of the organisation	Yellow
Cyber attack and/or other forms of fraud bringing systems down and defrauding the organisation also causing reputational damage	Yellow
The capital solvency level dropping below the regulatory limit	Yellow
Uncoordinated and/or ineffective management of stakeholders could result in sabotage/ delays in strategy formulation and execution	Green
Sentinel may not be able to realise assets at a reasonable value on demand to meet its commitments as they fall due	Green
Investments may perform below set benchmarks	Green
Poor service delivery to members and pensioners due to failed processes or systems, and staff errors	Green
Non-compliance with regulation, fund policies and procedures	Green

Audit and Risk Committee continued

KPI – Board and Audit & Risk Committee assessment of the governance, risk and controls

Objective:	Outcome – 2019
King IV™ Principle 15: “The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision making and of the organisation’s external reports”	<p>Practice 59 states “The governing body should ensure that the internal audit provides an overall statement annually as to the effectiveness of the organisation’s governance, risk management and control processes”.</p> <p>Statement by the Board and Audit & Risk Committee Internal audit provided a written assessment on the effectiveness of the Fund’s governance, risk management and internal control processes for the year ended 30 June 2019. The Board and Audit Committee assessed the effectiveness of controls for the year ended 30 June 2019 as satisfactory, principally through a process of management self-assessment, including formal confirmation from executive management, and also considered reports from internal audit, external audit and other assurance providers.</p>

KPI – Compliance and governance report

Objective:	Outcome – 2019
Ensuring that the Fund maintains its excellence in compliance and governance.	<p>With the exceptions noted below, the Fund complies with provisions of the applicable laws, pension fund circulars and codes:</p> <ul style="list-style-type: none">◆ The Fund continuously engages with those employers who failed to pay contributions into the Fund within the stipulated period◆ The Fund also continuously engages with those transferee funds which failed to pay transfer values within the stipulated period.



Investment Committee

Name	Age	Notable qualifications	Meetings attended*
JL Liackman (Independent non-executive Chairman)	64	BSc (Economics) Executive programme on investment management theory and practice	5
J de Vos Hugo	52	MBA	5
BJ Drew	67	MBA	5
AJ Jacobs	76	MCom (Economics)	5
M Mogase	54	BCom	5
AJ Pienaar	55	CA(SA)	5
E Strydom	55	BCom Hons (Investment Management)	5

By invitation

AB la Grange (Chairman of the Board)

FJ Visser (Chief Executive Officer)

JN Botes (Chief Investment Officer)

MM Mananye (PO/Chief Risk and Compliance Officer)†

Investment consultant

* Meetings held: five (including annual feedback session).

† Passed away 28 April 2019.

Mandate

- ◆ Investment strategy review
- ◆ Member portfolio review
- ◆ Manager selection/review
- ◆ Mandate compliance
- ◆ Regulatory compliance
- ◆ Investment risk management
- ◆ Investment performance review
- ◆ Service provider selection/review.

Committee in action

- ◆ Review and approval of IPS changes
- ◆ Review and approval of ALM inputs and assumptions
- ◆ Review of shareholder engagement activity
- ◆ Review of investment structure
- ◆ Review of the appropriateness of benchmarks

- ◆ Review of conflict of interest disclosures
- ◆ Review of committee mandate
- ◆ Approval of annual shareholder engagement programme.

Business Development and Review Committee

Name	Age	Notable qualifications	Meetings attended*
FJ Visser (Chairman and Chief Executive Officer)	67	BCom Hons (Industrial Psychology)	2
BJ Drew	67	MBA	2
GE du Plessis	49	BA Hons (Labour Sociology and Political Science)	2
G Kapp	60	CA(SA)	2
WB Modisapodi	45	LLM (Pension and Corporate Law)	2
M Mogase	54	BCom	2
S Motloung	64	Nursing Certificate	2
E Strydom	55	BCom Hons (Investment Management)	2

By invitation

AB la Grange (Chairman of the Board)	JS Fouché (Chief Financial Officer)
JN Botes (Chief Investment Officer)	MM Mananye (PO/Chief Risk and Compliance Officer) ⁺
MJ Mitchley (Chief Operations Officer)	J Viljoen (Chief Advisory Officer)

* Meetings held: two.

⁺ Passed away 28 April 2019.

Mandate

- ◆ Review and approve new benefits, products and services
- ◆ Review and approve enhancements to benefits, products and services
- ◆ Consider the potential impact of changes to legislation
- ◆ Consider matters referred by the Board.

Committee in action

- ◆ Review of committee mandate
- ◆ Consideration of business and product development alternatives
- ◆ Consideration of retirement fund reform and tax amendments
- ◆ Consideration of pension increase policy wording
- ◆ Consideration of Fund ethnicity statistics
- ◆ Review and approve risk benefit offerings.

Rule amendments

In addition to implementing changes arising from new regulations, the Fund often initiates amendments to keep it current with broader policy issues, enhance participant flexibility and simplify the rules where possible.

Significant rule changes during the past financial year

The general rules of Sentinel were amended so that the Fund remains relevant and sustainable, including a major amendment to ensure compliance with the new default regulations with effect from 1 March 2019. Although the rules complied with most of the new regulatory requirements, the deferred membership category change from the former interim and non-contributory categories to the new paid-up membership category required significant amendments as well as procedural enhancements.

Claims Committee



Name	Age	Notable qualifications	Meetings attended*
FJ Visser (Chairman and Chief Executive Officer)	67	BCom Hons (Industrial Psychology)	5
MJ Mitchley (Acting Chairman)	54	BCom (Accounting)	7
E Croeser	55	Qualified Actuary	11
GE du Plessis	49	BA Hons (Labour Sociology and Political Science)	12
L McMaster	38	BCom Hons	9
S Motloung	64	Nursing Certificate	11
S Stehring	58	Mine Overseer Certificate	9

By invitation

MJ Mitchley (Chief Operations Officer) Manager: Claims Occupational health consultant	MM Mananye (PO/Chief Risk and Compliance Officer)* Manager: Legal Death and disability administrators
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* Meetings held: 12.

* Passed away 28 April 2019.

Mandate

- ◆ Allocation and distribution of death benefit lump sum amounts in terms of section 37C of the Pension Funds Act (No 24 of 1956)
- ◆ Consideration of disability benefit applications in terms of the rules
- ◆ Interpretation and clarification of the rules in relation to benefits
- ◆ Legal and adjudicator benefit matters.

Committee in action

- ◆ Review of committee mandate
- ◆ Consideration of monthly risk benefit claims statistics
- ◆ Consideration of spouse pension provision exemption requests at retirement of members.
- ◆ Review and approval of death benefit allocations to beneficiaries and nominees:
 - Decided on: **137**

- ◆ Review and approval of disability applications:
 - Reviewed: **292**
 - Approved: **183**
 - Deferred: **23** for further medical information and evidence
 - Not approved: **109**
- ◆ Legal and PFA matters: **4**

Human Resources and Remuneration Committee

Name	Age	Notable qualifications	Meetings attended*
A Bardin (Independent non-executive Chairman)	64	MSc (Economics) LLB	3
AB la Grange	69	MCom (Finance and Economics)	3
M Ally	51	MBA	1
A Clarke	61	BTech (Human Resources Management)	2
GE du Plessis	49	BA Hons (Labour Sociology and Political Science)	2
J van Niekerk	63	MCom (Human Resources and Industrial Psychology)	3

By invitation

FJ Visser (Chief Executive Officer)	HR Consultant
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* Meetings held: three.

Mandate

- Establish and maintain remuneration policy for the Board, sub-committees, executive management and other employees
- Review and approve payments and increases to Board, sub-committees, executive management and other employees

- Monitor the effectiveness of retention and succession planning strategies and their implementation
- Ensure employment equity and workplace skills objectives are attained
- Monitor employee morale and relations
- Trustee appraisal and training
- Ethics.

Committee in action

- Review of committee mandate
- Review of employment equity philosophy, strategy, plan and progress
- Review of training and development
- Trustee training and accreditation plan
- Review executive and employee remuneration against benchmarks.

Sentinel has committed itself to fair employment policies and practices as defined in applicable labour legislation and the Employment Equity Act (No 55 of 1998) in particular. Sentinel encourages career growth for employees from previously

disadvantaged groups by providing training, development and education programmes. Career growth, in turn, contributes to Sentinel's overall business objectives. The committee plays an integral part in succession planning, especially for the Chief

Executive Officer, Principal Officer and executive management. Sentinel has submitted its employment equity report and skills development plan in accordance with legislation.

Remuneration

The remuneration policy of the Fund is aligned to key strategic performance areas. Remuneration levels, and the management and staff performance bonus scheme, are reviewed annually and are

designed to attract and retain key employees, while also motivating and reinforcing desired performance outputs. Remuneration for Board members is based on market trends and other relevant factors.

In performing its duties, the committee considers local and national industry remuneration levels.

	Remuneration 2019 R'000	Bonus 2019 R'000	Remuneration 2018 R'000	Bonus 2018 R'000
Board	5 976	n/a	5 866	n/a
Executive management	17 597	5 795	18 112	5 162
General employees	74 453	5 790	65 295	5 043



Nominations Committee

Name	Age	Notable qualifications	Meetings attended*
AB la Grange (Independent non-executive Chairman)	69	MCom (Finance and Economics)	1
A Bardin	64	MSc (Economics) LLB	1
Dr JPL Bezuidenhout	59	PhD (Management and Business Administration)	1
H Hickey	65	CA(SA)	1

By invitation

HR consultant

* Meetings held: one.

Mandate

- ◆ Advise the Board on best practice regarding Board and sub-committee composition, competencies and functioning
- ◆ Monitor the appropriateness of Board size and composition
- ◆ Apply a sound methodology for the identification and appointment of independent Trustees (including the Chairperson of the Board), independent sub-committee members and the CEO

- ◆ Ensure continuity and effective succession through nomination of Trustees, sub-committee members and the CEO as required
- ◆ Manage the terms of appointment of Trustees and sub-committee members
- ◆ Oversee the Board appraisal
- ◆ Determine Trustee independence
- ◆ Board and sub-committee induction and training.

Committee in action

- ◆ Review of the committee mandate
- ◆ Confirmation of alternate independent Trustee
- ◆ Facilitation of executive succession
- ◆ Monitor the relevant legislation and regulations.

Approval of financial statements

The annual financial statements of Sentinel Retirement Fund are the responsibility of the Board. The Board fulfils this responsibility by ensuring the implementation and maintenance of accounting systems and practices, adequately supported by internal financial controls.

These controls, which are implemented and executed by the Fund's employees, provide reasonable assurance that:

- ◆ the Fund's assets are safeguarded
- ◆ transactions are properly authorised and executed
- ◆ the financial records are reliable.

The summarised financial statements set out on pages 98 to 114 have been prepared for communication purposes with limited disclosure compared to the regulatory financial statements that are compiled in terms of the Regulatory Reporting Requirements for Retirement Funds in South Africa. The regulatory financial statements have been prepared for reporting to the Financial Sector Conduct Authority. The summarised financial statements set out on pages 98 to 114 have been prepared in accordance with the criteria as set out in Note 1.1 of the notes to the summarised financial statements.

The independent auditors, Deloitte & Touche, have reported on the regulatory financial statements, in the course of executing their statutory duties. They have been given unrestricted access to all financial records and related data, including minutes of all relevant meetings. In addition, the independent auditors reported on whether the summarised financial statements are derived from the regulatory financial statements. The Board believes that all representations made to the independent auditors during their audit were valid and appropriate. The report of the independent auditors is presented on page 96.

The summarised financial statements of the Fund set out on pages 98 to 114 were approved by the Board of Fund. The financial statements have been signed by the Chairman, two Board members and the Principal Officer on behalf of the Board.

AB la Grange
Chairman

WB Modisapodi
Board member

MR Lesabe
Board member

JS Fouché
Principal Officer

3 October 2019

Statement of responsibility by the Principal Officer



I confirm that, for the period under review, Sentinel Retirement Fund has timeously submitted all regulatory and other returns, statements, documents and any other information as required in terms of the Pension Funds Act and to the best of my knowledge all applicable legislation.

JS Fouché
Principal Officer

3 October 2019

Report of the independent auditor

Independent auditor's report on the summary financial statements

To the Board of Fund of Sentinel Retirement Fund

Opinion

The summary financial statements of Sentinel Retirement Fund, set out on page 98 to 114, which comprise the summary statement of funds and net assets as at 30 June 2019, the summary statement of revenue account, the statement of changes in accumulated funds, the statement of changes in underlying funds, the cash flows for the year then ended, and related notes, are derived from the audited regulatory financial statements of Sentinel Retirement Fund for the year ended 30 June 2019.

In our opinion, the accompanying summary financial statements are consistent, in all material respects, with the audited regulatory financial statements of Sentinel Retirement Fund, in accordance with the basis described in Note 1.1 on page 101.

Summary financial statements

The summary financial statements do not contain all the disclosures required by the Regulatory Reporting Requirements for Retirement Funds in South Africa. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon.

The audited financial statements and our report thereon

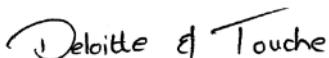
We expressed an unmodified audit opinion on the audited regulatory financial statements in our report dated 10 October 2019.

Board of Fund's responsibility for the summary financial statements

The Board of Fund is responsible for the preparation of the summary financial statements in accordance with the basis described in Note 1.1 on page 101.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing 810 (Revised), *Engagements to Report on Summary Financial Statements*.



Deloitte & Touche

Registered Auditors

Per: R Van Graan
Partner

10 October 2019

National Executive: *LL Barn Chief Executive Officer *TMM Jordan Deputy Chief Executive Officer; Clients & Industries *MJ Jarvis Chief Operating Officer
*AF Mackie Audit & Assurance *N Sing Risk Advisory DP Ndlovu Tax & Legal TP Pillay Consulting *JK Mazzocco Talent & Transformation
MG Dicks Risk Independence & Legal *KL Hodson Financial Advisory *TJ Brown chairman of the Board

A full list of partners and directors is available on request *Partner and Registered Auditor

B-BBEE rating: Level 1 contribution in terms of the DTI Generic Scorecard as per the amended Codes of Good Practice

Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited



Report of the consulting actuaries

The last statutory actuarial valuation of the Sentinel Retirement Fund was completed as at 30 June 2018, and confirmed that the Fund's assets exceeded its liabilities, and the Fund is still in a sound financial condition.

An interim actuarial valuation of the Fund was completed as at 30 June 2019, and confirmed that the Fund is still in a sound financial condition.

Contributory and non-contributory members have their own individual fund credits, which are matched by equivalent assets at 30 June 2019. In addition, there is a risk reserve of R216 million and a mismatch reserve of R42 million.

The pensioners have a separate pool of assets in the Fund. This pool was 108,3% funded, including the recommended reserves, as at 30 June 2019, before any bonus or pension increase was awarded in October 2019.

AR Pienaar
Fellow of the Actuarial Society of South Africa

In my capacity as valuator of the Fund and as an employee of Alexander Forbes Consultants and Actuaries, a division of Alexander Forbes Financial Services.

Sandton
3 October 2019

Statement of funds and net assets

as at 30 June 2019

	Note	2019 Rm	2018 Rm
FUNDS			
Member accounts and reserves			
Members' individual accounts*		37 130	38 418
Pensioner reserves		44 079	45 096
Risk reserves		189	143
Other reserves		42	45
Amounts to be allocated		447	430
Total funds and reserves		81 887	84 132
EMPLOYMENT OF FUNDS			
Furniture and equipment at book value	2	2	3
Investments at fair value	3	82 215	84 286
Current assets		438	909
Accounts receivable		172	630
Contributions receivable		190	179
Transfers receivable		45	85
Cash and bank		31	15
Total assets		82 655	85 198
Non-current liabilities		318	266
Unclaimed benefits		318	266
Current liabilities		450	800
Accounts payable		176	540
Benefits payable		268	260
Transfers payable		6	—
Net assets		81 887	84 132

* Included in members' individual accounts individual accounts are flexible annuitants individual accounts of R509 million (2018: R493 million) who have exercised their option of a flexible pension in terms of Rule 5.2.4 of the Fund.

Revenue account

for the year ended 30 June 2019

	Note	2019 Rm	2018 Rm
INCOME			
Interest		3 316	7 226
Collective investment schemes distribution		639	570
Net rental income		168	132
Fair value gain on investments		29	—
		2 480	6 524
EXPENDITURE			
Administration expenditure	6	(513)	(432)
Net fair value revenue for the year		2 803	6 794



Statement of changes in funds and net assets

for the year ended 30 June 2019

	Note	2019 Rm	2018 Rm
Balance at the beginning of the year		84 132	81 847
Add: Contributions received and transfers in		3 072	3 488
– Employees		1 118	1 092
– Employers		1 847	1 841
– Transfers from other funds		107	555
Less: Benefits awarded and transfers out		(8 120)	(7 997)
– Pensions	8	(4 476)	(4 268)
– Lump sums awarded		(3 517)	(3 624)
– Transfers to other funds		(127)	(105)
Add: Net fair value revenue for the year		2 803	6 794
Balance at the end of the year		81 887	84 132

Statement of changes in underlying funds

for the year ended 30 June 2019

	Members Rm	Pensioners Rm	Risk benefits Rm	Other reserves Rm	To be allocated Rm	Total Rm
Opening balance	38 418	45 096	143	45	430	84 132
Contributions	2 643	–	317	–	5	2 965
Benefits	(3 517)	(4 476)	–	–	–	(7 993)
Administration fees	(74)	(85)	–	–	(5)	(164)
Growth allocation	1 238	1 658	4	4	63	2 967
Gross growth and investment income	1 398	1 837	4	4	73	3 316
Less: Portfolio management fees	(160)	(179)	–	–	(10)	(349)
Transfers from other funds	130	17	–	–	(40)	107
Transfers between reserves	(1 587)	1 869	(275)	(7)	–	–
Transfers to other funds	(121)	–	–	–	(6)	(127)
Closing balance	37 130	44 079	189	42	447	81 887

Cash flow statement

for the year ended 30 June 2019

	Note	2019 Rm	2018 Rm
CASH FLOW FROM OPERATING ACTIVITIES			
Investment income received		1 854	1 710
Cash payments to employees and suppliers for administration of the Fund		(513)	(407)
NET CASH FLOW FROM OPERATIONS			
Net cash outflow from transactions with members	9	1 341	1 303
Contributions and transfers received		(4 976)	(4 515)
Benefits and transfers paid		3 100	3 432
		(8 076)	(7 947)
CASH DEFICIT			
Net cash inflow from investing activities		(3 635)	(3 212)
Purchases of furniture and equipment		3 651	3 213
Net purchases and disposals of investments, including movement in cash and short-term deposits		–	(1)
		3 651	3 214
Net increase in cash and bank for the year		16	1
Cash and bank at the beginning of the year		15	14
Cash and bank at the end of the year		31	15



Notes to the financial statements

for the year ended 30 June 2019

1. PRINCIPAL ACCOUNTING POLICIES AND PRESENTATION

- 1.1** The summarised annual financial statements were derived from the regulatory annual financial statements which were compiled in terms of the Regulatory Reporting Requirements for Retirement Funds in South Africa.

The purpose of the summarised annual financial statements is to give the reader a broad overview of the financial position of the Fund as well as other relevant cash flows and income and expense account movements, without providing the level of detail as per the regulatory financial statements for the following reasons:

- ◆ Summarised data is provided to take account of the fact that investments are managed within a multi-manager structure. The regulatory financial statements are geared towards extensive detail on individual investments that are not relevant in a multi-manager structure, as the multi-manager structure is more tailored towards the type of mandates and managers itself
- ◆ Cash flow information is provided as it is giving essential information in respect of the Fund. The cash flow information is derived from the information disclosed in the regulatory financial statements
- ◆ The revenue account (investment income and expenditure) and the changes in accumulated funds (member/pensioner transactions) are disclosed separately for enhanced understanding of these items.

1.2 Equipment

Depreciation is calculated on the straight-line method to write off the cost of each asset, or the revalued amounts, to their residual values over their estimated useful lives as follows:

Furniture and fittings	5 years
Office equipment	3 years
Computer equipment and software	3 years

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Impairment losses are recognised.

Gains and losses on disposal of equipment are determined by reference to their carrying amount and are taken into account in determining the net surplus or deficit.

Maintenance and repairs, which neither materially add to the value of assets nor appreciably prolong their useful lives, are charged against income.

1.3 Financial instruments

Measurement

A financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of any other entity. A financial asset or a financial liability is recognised when its contractual arrangements become binding and is derecognised when the contractual rights to the cash flows of the instrument expire or when such rights are transferred in a transaction in which substantially all risks and rewards of ownership of the instrument are transferred.

Financial instruments carried on the statement of net assets and funds include cash and bank balances, investments, receivables and accounts payable.

Notes to the financial statements continued

for the year ended 30 June 2019

1. PRINCIPAL ACCOUNTING POLICIES AND PRESENTATION continued

1.3 Financial instruments continued

Financial instruments are recognised on acquisition using trade date accounting, which includes transaction costs. Upon initial recognition financial instruments are designated at fair value through the statement of changes in net assets and funds as the assets or liabilities are managed, evaluated and reported internally on a fair value basis and/or the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise.

Subsequent to initial recognition, these instruments are measured as set out below.

1.3.1 Investments

Investments are classified at fair value through the statement of changes in net assets and funds and are measured at fair value.

Loans (other than housing loans) – loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determined payments that are not quoted in an active market other than those that the Fund intends to sell in the short term or that are designated as at fair value through the statement of changes in net assets and funds. Loans and receivables are measured at fair value.

Debentures

Debentures comprise investments in listed and unlisted debentures.

Listed debentures

The fair value of listed debentures traded on active liquid markets is based on regulated exchange quoted ruling closing prices at the close of business on the last trading day on or before the statements of net assets and funds date.

Unlisted debentures

Unlisted debentures are financial assets with fixed or determinable payments and fixed maturity. Fair value is estimated using pricing models or by applying appropriate valuation techniques such as discounted cash flow analysis or recent arm's length market transactions in respect of the unlisted debenture.

Bills and bonds

Bills and bonds comprise investments in government or provincial administration, local authorities, participating employers, subsidiaries or holding companies and corporate bonds.

Listed bills and bonds

The fair value of listed bills and bonds traded on active liquid markets is based on regulated exchange quoted ruling closing prices at the close of business on the last trading day on or before the statements of net assets and funds date.

Unlisted bills and bonds

A market yield is determined by using appropriate yields of existing bonds and bills that best fit the profile of the instrument being measured and based on the term to maturity of the instrument. Adjusting for credit risk, where appropriate, a discounted cash flow model is then applied using the determined yield in order to calculate the fair value.



1. PRINCIPAL ACCOUNTING POLICIES AND PRESENTATION continued

1.3 Financial instruments continued

1.3.1 Investments continued

Equities

Equity instruments consist of equities with primary listings on the JSE, equities with secondary listings on the JSE, foreign listed equities and unlisted equities.

Equity instruments designated as at fair value through the statement of changes in net assets and funds by the Fund are initially recognised at fair value on trade date.

Listed equities

Equity instruments are subsequently measured at fair value and the fair value adjustments are recognised in the statement of changes in net assets and funds. The fair value of equity instruments with standard terms and conditions and traded on active liquid markets is based on regulated exchange quoted ruling closing prices at the close of business on the last trading day on or before the statement of net assets and funds date.

Unlisted equities

If a quoted closing price is not available, ie for unlisted instruments, the fair value is estimated using pricing models, or by applying appropriate valuation techniques such as discounted cash flow analyses or recent arm's length market transactions in respect of equity instruments.

Preference shares

Listed preference shares

The fair value of listed preference shares traded on active liquid markets is based on regulated exchange quoted ruling closing prices at the close of business on the last trading day on or before the statement of net assets and funds date.

Unlisted preference shares

In respect of unlisted preference shares, the fair value is determined by applying appropriate valuation techniques such as discounted cash flow analyses or recent arm's length market transactions in respect of preference shares.

Insurance policies

Non-linked insurance policies

Non-linked insurance policies with insurers are valued on the basis of the policyholder's retrospective contribution to assets (ie accumulation at the actual investment return achieved on gross premiums).

Notes to the financial statements continued

for the year ended 30 June 2019

1. PRINCIPAL ACCOUNTING POLICIES AND PRESENTATION continued

1.3 Financial instruments continued

1.3.1 Investments continued

Linked or market-related policies

If the policy is unitised, the value is equal to the market value of the underlying units. Other linked or market-related policies are valued at the market value of the underlying assets for each policy, in line with the insurer's valuation practices.

Private equity investments

Private equity investments are investments in equity capital that are not quoted on a public exchange. Private equity investments are valued in accordance with the international private equity and venture capital valuation guidelines.

Collective investment schemes

Investments in collective investment schemes are valued at fair value which is the quoted unit values, as derived by the collective investment scheme manager with reference to the rules of each particular collective investment scheme, multiplied by the number of units.

Derivative market instruments

Derivative market instruments consist of options, equity-linked instruments, futures/forwards – SAFEX/foreign, currency swaps and interest rate swaps, financial option contracts, financial options on future contracts and bond option contracts.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from regulated exchange quoted market prices in active markets, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. The Fund does not classify any derivatives as hedges in a hedging relationship.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (ie the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (ie without modification or repackaging) based on a valuation technique whose variables include only data from observable markets.

Options

Options are valued using option pricing modules.

Futures/forward contracts

The fair value of publicly traded derivatives is based on quoted closing prices for assets held or liabilities issued, and current offer prices for assets to be acquired and liabilities held.

Swaps

Swaps are valued by means of discounted cash flow models, using the swap curve from a regulated exchange (BESA) to discount fixed and variable rate cash flows, as well as to calculate implied forward rates used to determine the floating interest rate amounts. The net present values of the fixed leg and variable leg of the swap are offset to calculate the fair value of the swap.



1. PRINCIPAL ACCOUNTING POLICIES AND PRESENTATION continued

1.3 Financial instruments *continued*

1.3.1 Investments continued

Investment in participating employers

Investments in participating employer(s) may comprise loans, investments in listed and unlisted equities and other investments. Refer to respective policies for basis of accounting.

Hedge funds

Hedge fund investments are designated as at fair value through the statement of changes in net assets and funds by the Fund and are initially recognised at fair value on trade date.

Listed hedge funds

Hedge fund investments are subsequently measured at fair value and the fair value adjustments are recognised in the statement of changes in net assets and funds. The fair value of hedge fund investments traded on active liquid markets is based on regulated exchange quoted ruling closing prices at the close of business on the last trading day on or before the statement of net assets and funds date.

Unlisted – where investor (fund) has no right to the underlying instrument – investment partners

Hedge fund investments are subsequently measured at fair value and the fair value adjustments are recognised in the statement of changes in net assets and funds. The value of the financial asset owned by the Fund is measured in relation to the percentage holdings by each investment partner in the total fair value of the hedge fund. The fair value is estimated using pricing models or by applying appropriate valuation techniques such as discounted cash flow analyses or recent arm's length market transactions in respect of hedge fund instruments.

Unlisted – where investor (fund) has a right to the underlying instrument

Hedge fund investments are subsequently measured at fair value and the fair value adjustments are recognised in the statement of changes in net assets and funds. As the Fund has the right to the underlying instrument, a look-through principle is applied, and the underlying instruments are separately measured and disclosed. The fair value is estimated using pricing models or by applying appropriate valuation techniques such as discounted cash flow analyses or recent arm's length market transactions in respect of the hedge fund instrument.

Structured products

Investments in structured products are valued at the gross total fair value of all the underlying instruments included in the structure and/or arrangement. If there are instruments within the structured product that require different treatment, these may need to be treated separately.

1.3.2 Accounts receivable

Accounts receivable are financial assets measured initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less any allowance for impairment.

1.3.3 Cash and cash equivalents

Cash and equivalents comprise cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less and are exposed to an insignificant amount of risk. Cash and cash equivalents are measured at fair value.

Notes to the financial statements continued

for the year ended 30 June 2019

1. PRINCIPAL ACCOUNTING POLICIES AND PRESENTATION continued

1.3 Financial instruments continued

1.3.4 Accounts payable

Accounts payable are financial liabilities measured initially at fair value, net of transaction costs that are directly attributable to the liability and subsequently measured at amortised cost using the effective interest rate method.

1.4 Reserves

Reserve accounts comprise particular amounts of designated income and expenses as set out in the rules of the Fund and are recognised in the year in which such income and expenses accrue to the Fund.

1.5 Surplus

Surplus apportionments are recognised on the date of approval of the surplus apportionment scheme by the Registrar. Surplus is measured at the values contained in the approved surplus apportionment scheme, adjusted for investment return or late payment interest until date of approval of the scheme as determined by the rules of the Fund.

1.6 Impairment

Financial assets carried at fair value or amortised cost

The Fund assesses at each statement of net assets and funds date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Fund first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Fund determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

If there is objective evidence that an impairment loss has been incurred on loans and receivables or held-to-maturity investments carried at fair value or amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flow (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of changes in net assets and funds. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under contract. As a practical expedient, the Fund may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved credit rating), the previously recognised impairment loss is reversed in the statement of changes in net assets and funds.



1. PRINCIPAL ACCOUNTING POLICIES AND PRESENTATION continued

1.6 *Impairment continued*

Impairment of non-financial assets

Assets that have an indefinite useful life, for example land, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's net carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For this purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Impairment of loans and receivables

A provision for impairment of loans and receivables is established when there is objective evidence that the Fund will not be able to collect all amounts due according to their original terms.

1.7 *Provisions, contingent liabilities and contingent assets*

Provisions

Provisions are recognised when the Fund has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Where the effect of discounting to present value is material, provisions are adjusted to reflect the time value of money.

Contingent liabilities

A contingent liability is not recognised in the statement of net assets and funds, but disclosed in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets

A contingent asset is not recognised in the statement of net assets and funds, but disclosed in the notes to the financial statements when an inflow of economic benefits is probable.

1.8 *Contributions*

Contributions are measured at the fair value of the consideration received or receivable.

Contributions are accrued and recognised as income in accordance with the actuarial recommendations, and the rules of the retirement fund. Contributions received are apportioned between retirement funding and funding for risk and other expenses. The apportionment is governed by the rules of the Fund and actuarial recommendations.

Contributions are brought into account on the accrual basis, except for voluntary contributions which are recognised when they are received.

Any contributions outstanding at the end of the reporting year are recognised as a current asset – contributions receivable. Any contributions received in advance at the end of the reporting year are recognised as a current liability – accounts payable.

Notes to the financial statements continued

for the year ended 30 June 2019

1. PRINCIPAL ACCOUNTING POLICIES AND PRESENTATION continued

1.8 Contributions continued

Interest charged on late payment of contributions

Compound interest on late payments or unpaid amounts and values shall be calculated for the year from the first day of the month following the expiration for the year in respect of which the relevant amounts or values are payable or transferable until the date of receipt by the Fund.

1.9 Foreign currencies

Transactions in foreign currencies are accounted for at the ruling rate of exchange on the transaction date. Assets and liabilities in foreign currencies are converted at the ruling rate of exchange on the statement of net assets and funds date.

Gains and losses on conversion are dealt with in the statement of changes in net assets and funds.

Income and expenditure relating to foreign investments are converted to South African currency at appropriate weighted average exchange rates, for the period.

1.10 Investment income

Investment income comprises dividends, interest and adjustment to fair value.

Dividends

Dividend income is recognised in the statement of changes in net assets and funds when the right to receive payment is established – this is the last date to trade for equity securities. For financial assets designated at fair value through the statement of changes in net assets and funds, the dividend income forms part of the fair value adjustment.

Interest

Interest income in respect of financial assets held at amortised cost is accounted for in the statement of changes in net assets and funds using the effective interest rate method.

Collective investment schemes' distribution

Distribution from collective investment schemes is recognised when the right to receive payment is established.

Income from policies with insurance companies

Income from investment policies from insurance companies is included in the adjustment to the movement of the financial asset.

Interest on late payment of contributions, surplus improperly utilised and/or loans and receivables

Interest on late payment of contributions, surplus improperly utilised and/or loans and receivables is accounted for in the statement of changes in net assets and funds using the effective interest rate method.

Adjustment to fair value

Gains or losses arising from changes in the fair value of financial assets at fair value through the statement of changes in net assets and funds are presented in the statement of changes in net assets and funds in the year in which they arise.

Expenses incurred in managing investments

Expenses in respect of the management of investments are recognised as the service is rendered.



1. PRINCIPAL ACCOUNTING POLICIES AND PRESENTATION continued

1.10 *Investment income continued*

Interest paid on borrowings

Interest expense is accounted for in the statement of changes in net assets and funds using the effective interest rate method.

Derivative instruments

Changes in the market value of traded future contracts and options are accounted for against net fair revenue for the period during which the changes take place.

Scrip lending

Income generated from scrip lending is recorded in the period of receipt. Contractual arrangements exist with various scrip lending agents. Scrip lending positions are not disclosed separately but are reported as part of the underlying holdings.

1.11 *Benefits*

Benefits payable and pensions are measured in terms of the rules of the Fund.

Benefit payments and monthly pension payments are recognised as an expense when they are due and payable in terms of the rules of the Fund. Any benefits not paid at the end of the reporting year are recognised as a current liability – benefits payable/due.

1.12 *Unclaimed benefits*

Benefits which remain outstanding for a period of 24 months or more, are classified as unclaimed benefits.

1.13 *Transfers to and from the Fund*

Sections 14 and 15B transfers to or from the Fund are recognised on the date of approval of the scheme/arrangement of transfer of business by the Financial Sector Conduct Authority, as contained in the approval certificate from the Registrar.

Individual transfers (section 13A(5) transfers) are recognised on the earlier of receipt of the written notice of transfer (recognition of transfer) or receipt of the actual transfer value.

All the above transfers are measured at the values as per the section 14 application or the value of the transfer at effective date of transfer adjusted for investment return or late payment interest as guided by the application.

Transfers receivable at the end of the reporting year are recognised as a current asset measured at the fair value of the transfer application at effective date of transfer.

Transfers payable at the end of the reporting year are recognised as a current liability measured at the value of the transfer application at effective date of transfer adjusted for investment return or late payment interest as guided by the application.

1.14 *Administration expenses*

Expenses incurred in the administration of retirement funds are recognised in the statement of changes in net assets and funds in the reporting year to which they relate.

In the event that an expense has not been paid at the end of a reporting year the liability will be reflected in the accounts payable note. If the expense was paid in advance or overpayment occurred, the applicable amount will be disclosed under the accounts receivable note.

Notes to the financial statements continued

for the year ended 30 June 2019

1. PRINCIPAL ACCOUNTING POLICIES AND PRESENTATION continued

1.15 Related parties

A retirement fund and another party are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party. Members of the key management personnel of the retirement fund or close family members of these people are also related parties.

In considering each possible related-party relationship, attention is directed to the substance of the relationship and not merely the legal form.

If there have been transactions between related parties, the Fund shall disclose the nature of the related-party relationship as well as the following information for each related-party relationship:

- ◆ The amount of the transactions
- ◆ The amount of outstanding balances
- ◆ Their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in the settlement
- ◆ Details of guarantees given or received
- ◆ Provisions for doubtful debts related to the amount of outstanding balances
- ◆ The expense recognised during the year in respect of bad or doubtful debts due from related parties.

1.16 Member individual accounts

Member individual accounts comprise the funds attributable to individual members, represented by investments and cash balances.

1.17 Retirement benefits as employer

Pension

Employees are employed by Sentinel Retirement Fund. Pension contributions are made to the Fund and are charged against administration expenditure as incurred. Employees' benefits are determined on a pure defined contribution pension fund structure.

Medical aid

The Fund provides post-retirement benefits to employees who retired before 1 August 1999 by funding a portion of the medical aid contributions of retired employees. Provision is made for this estimated liability.

1.18 Housing loan guarantees

The Fund provides housing loan guarantees to members which are secured by members' fund credits, in terms of its rules and the provisions of section 19(5) of the Pension Funds Act (No 24 of 1956).

1.19 Amounts to be allocated

Amounts to be allocated represent transactions through the Fund which have not yet been allocated to members or reserves.



	Computer equipment and software Rm	Office equipment Rm	Furniture and fittings Rm	Total Rm
2. FURNITURE AND EQUIPMENT				
<i>Current</i>				
Cost				
At the beginning of the period	45	2	7	54
Additions	–	–	–	–
Balance at 30 June 2019	45	2	7	54
Accumulated depreciation				
At the beginning of the period	44	2	5	51
Depreciation	–	–	1	1
Balance at 30 June 2019	44	2	6	52
Carrying value at 30 June 2019	1	–	1	2
<i>Previous</i>				
Cost				
At the beginning of the period	44	2	7	53
Additions	1	–	–	1
Balance at 30 June 2018	45	2	7	54
Accumulated depreciation				
At the beginning of the period	43	2	4	49
Depreciation	1	–	1	2
Balance at 30 June 2018	44	2	5	51
Carrying value at 30 June 2018	1	–	2	3

Notes to the financial statements continued

for the year ended 30 June 2019

	2019			2018		
	Total Rm	Local Rm	Foreign Rm	Total Rm	Local Rm	Foreign Rm
3. INVESTMENTS AT FAIR VALUE						
Cash	2 885	1 851	1 034	4 458	2 320	2 138
Commodities	58	58	–	63	63	–
Debt instruments	18 870	16 871	1 999	18 449	16 198	2 251
Investment properties	243	243	–	–	–	–
Equities	19 064	17 142	1 922	22 251	20 632	1 619
Insurance policies	8 857	5 969	2 888	5 627	5 627	–
Collective investment schemes	22 621	6 837	15 784	24 534	8 264	16 270
Hedge funds	1 065	–	1 065	1 368	–	1 368
Private equity funds	6 890	1 935	4 955	6 215	2 200	4 015
Investment in participating employers	1 524	1 524	–	1 147	1 147	–
Derivative market instruments	138	(27)	165	174	(95)	269
Total investments	82 215	52 403	29 812	84 286	56 356	27 930
	Exchange rate conversion at 30 June 2019			2019		2018
				Rm %	Rm %	
Currency profile						
Investment held in:						
South African rand			52 403	64	56 356	67
US dollar	14.10		29 812	36	27 930	33
			82 215	100	84 286	100
				At 30 June 2019 Net fair value Rm	At 30 June 2018 Net fair value Rm	
4. DERIVATIVE INSTRUMENTS						
Total derivative instruments				138	174	

Net fair value

Net fair value represents the net fair value of all outstanding derivative financial instruments at year-end. The fair value represents the market value if the rights and obligations arising from derivative instruments were closed out by the Fund in orderly market conditions at year-end. Fair values are obtained using quoted market prices, discounted cash flow models and option pricing models, where appropriate.



5. HOUSING LOAN GUARANTEES

The Fund has granted housing loan guarantees to IEMAS Cooperative Limited for housing loans granted to 3 189 members. Guarantees amounting to R691,0 million were in place as at 30 June 2019 (2018: R703,0 million) and are automatically renewed as long as the loan exists and the member remains with the Fund. The outstanding loan amounts relating to these guarantees at year-end amounted to R510,8 million (2018: R525,4 million).

The amount of the guarantee may not exceed 50% of the fund credit that a member would receive if membership of the Fund was terminated for any reason, and the maximum term of 20 years may not extend beyond normal retirement date. All housing loans should be paid up by normal retirement date.

	2019 Rm	2018 Rm
6. ADMINISTRATION EXPENDITURE		
Investment management cost	349	282
Fund administration cost	164	150
	513	432

Included under administration expenditure are Trustee costs of R5 976 446 (2018: R5 866 483).

7. POST-RETIREMENT MEDICAL AID – FORMER EMPLOYEES

The Fund provides post-retirement healthcare benefits to former employee retirees. Valuation of this obligation is carried out by independent qualified actuaries every two years. The liability was last valued at 31 December 2018 as R8,0 million. The amounts recognised as part of creditors and provisions in the balance sheet are as follows:

Value of obligation	8	9
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8. LUMP SUMS AWARDED

Commuted pensions	278	309
Death of members and pensioners	222	285
Withdrawal, retrenchment, disability and divorce benefits	3 017	3 030
	3 517	3 624

9. RECONCILIATION OF NET FAIR VALUE REVENUE TO CASH GENERATED FROM OPERATIONS

Net fair value revenue for the year	2 803	6 794
Adjustments for non-cash flow items	(1 462)	(5 486)
Depreciation	1	2
Accounting for fair value of investments	(1 463)	(5 488)
Operating surplus before changes in working capital	1 341	1 308
Changes in working capital	–	(5)
Decrease/(increase) in sundry receivables and accruals	1	(28)
(Decrease)/increase in sundry payables	(1)	23
Cash generated from operations	1 341	1 303

Notes to the financial statements continued

for the year ended 30 June 2019

	2019 Rm	2018 Rm
10. COMMITMENTS AND CONTINGENCIES		
10.1 Capital contracts		
No capital commitments exist at present.		
10.2 Derivative financial instruments		
Option contracts and futures contracts have been transacted.		
No material losses are anticipated as a result of these transactions.		
10.3 Operating lease commitments		
Within 1 year	39	37
Between 1 and 5 years	87	123
After 5 years	—	3
	126	163
10.4 Investment commitments		
Total undrawn equity commitment	4 078	3 576
Total undrawn property commitment	1 760	2 733
Total undrawn debt commitment	1 390	1 566
11. RELATED-PARTY TRANSACTIONS		
The following related parties contribute in terms of the rules of the Fund, and upon exit will receive a benefit in terms of the rules of the Fund:		
♦ Trustees who are members of the Fund		
♦ Principal Officer and key management.		
The Fund has investments in participating employer companies.		
Global ASP Limited provides software and information system hosting services to the Fund and is a participating employer of the Fund.		
Transactions for the period		
Key management remuneration and expenses	23	23
Board of Fund remuneration and expenses	6	6
Principal Officer remuneration and expenses	2	3
Participating employer contributions towards retirement and expenses	1 847	1 841
Global ASP Limited operating lease expenses	32	29
Global ASP Limited fees for professional services	3	1
Balances at 30 June		
Direct investments in participating employers	1 524	1 147
Contributions receivable from participating employers	190	179
Global ASP Limited lease balance	93	123
12. SUBSEQUENT EVENTS		
There were no notable subsequent events.		
13. SIGNIFICANT MATTERS		
There were no significant matters for the period ended 30 June 2019 which materially affected the financial statements.		



Membership statistics

MEMBERSHIP BENEFITS

	2019	2018	2017	2016	2015
Number of pensions paid at 30 June	36 156	36 564	36 963	36 853	37 897
Total number of deaths/terminations	1 992	2 135	2 102	2 321	1 843
Members	148	226	280	316	248
Pensions	1 844	1 909	1 822	2 005	1 595
Number of retirement benefits	538	561	490	624	680
Number of disability benefits	192	200	208	188	194
Number of withdrawal benefits	3 885	3 675	2 928	4 809	4 843
Average commuted amount (R)	541 392	561 314	585 010	584 716	446 231
Average monthly member pension paid (R)	12 597	11 899	11 237	10 486	9 645
Total annual pension payments (Rm)	4 476	4 268	4 113	3 921	3 799

MEMBERSHIP AND CONTRIBUTIONS

	2019	2018	2017	2016	2015
Membership at 1 July	40 121	40 640	41 113	43 256	45 990
Contributory membership at 1 July	36 797	37 349	37 474	38 655	40 777
Non-contributory membership at 1 July	3 324	3 291	3 639	4 601	5 213
Entrants	14 809	9 877	7 280	7 832	9 915
Exits	16 356	10 396	7 753	9 975	12 649
Membership at 30 June	38 574	40 121	40 640	41 113	43 256
Contributory membership at 30 June	35 096	36 797	37 349	37 474	38 655
Non-contributory membership at 30 June	3 478	3 324	3 291	3 639	4 601
Average monthly contribution (including transfers during the year) (Rm)	258	268	271	237	241
Active members*	38 574	37 947	38 354	38 820	40 863
Paid-up members/deferred members**	3 478	2 174	2 286	2 293	2 393
Unclaimed benefits	5 370	5 803	6 183	6 951	7 547
Pensioners	18 861	19 159	19 290	19 644	19 878
Beneficiaries	15 227	15 198	15 130	15 000	14 914

* Includes interim members to 2018 and paid-up members from 2019.

** Paid-up members from 2019 and deferred members to 2018.

Investment manager exposures

Manager	% of fund assets
TriAlpha Investment Management	12,7
Prudential Investment Managers (SA)	8,0
All Seasons Capital Management	7,4
Sanlam Investment Management	5,7
Investec Asset Management	5,6
Edge Capital	4,3
South Suez Capital	4,1
Abax Investments	3,7
Sesfikile Capital	3,7
Prescient Investment Managers	3,5
Coronation Fund Managers	3,5
Futuregrowth Asset Management	3,5
Allan Gray South Africa	3,3
Sands Capital Management	2,9
Taquanta Asset Managers	2,6
Morgan Stanley Investment Management	2,4
Wells Fargo	2,3
Ke Nako Capital	2,3
Hosking Partners	1,9
Epoch Investment Partners	1,9
Catalyst Capital Management	1,7
Vunani Fund Managers	1,6
Third Way Investment Partners	1,6
Leaf Capital	1,3
Value Capital Partners	1,2
27Four Investment Managers	1,2
All Weather Capital	1,0
Kagiso Asset Management	1,0
Noble Property Fund	0,8
PSG Asset Management	0,6
Propertysmith	0,4
Novare Equity Partners	0,4
Boxwood Property Fund	0,3
State Street Global Advisors	0,3
Ashburton Investments	0,3
Growthpoint Healthcare	0,3
Vantage Capital	0,2
Khumo Capital	0,1
Lereko Metier Capital Growth Fund Managers	0,1
Absa Alternative Asset Managers	0,1
Capitalworks Investment Partners	0,1
Arch Emerging Market Partners	0,1



Glossary

Active investing	A portfolio management strategy where a manager makes specific investments with the goal of outperforming an investment benchmark index.
Asset management	The management of a client's investments by a financial services company.
Assurance	A positive declaration intended to give confidence.
Audit	An official inspection of an organisation's accounts.
Beneficiaries	A person or other legal entity who receives money or other benefits from a benefactor.
Board member	An individual person or member of a board given control or powers of administration of assets in trust with a legal obligation to administer it solely for the purposes specified.
Board of Fund	Sentinel Retirement Fund Board of Trustees
Cybercrime	Criminal activities carried out by means of computers or the internet.
Fiduciary	Involving trust, especially with regard to the relationship between a Trustee and a beneficiary.
Inflation	A general increase in prices and fall in the purchasing value of money.
Investment	The action or process of investing money for profit.
Liabilities	A company's financial debt or obligations that arise during the course of its business operations.
Material	The quality of being relevant or significant.
Mortality rate	The relative frequency of deaths in a specific population.
Mutual society	An organisation owned by its members and managed for their benefit.
Organised labour	An association of workers united as a single, representative entity for the purpose of improving the workers' economic status and working conditions through collective bargaining with employers, also known as 'trade unions'.
Passive investing	An investing strategy that tracks a market-weighted index or portfolio.
Portfolio	A range of investments held by a person or organisation.
Premiums	An amount to be paid for a contract of insurance.
Promulgation	Put a law or decree into effect by official proclamation.
Proxy	The authority to represent someone else, especially in voting.
Reserve	A supply not needed for immediate use but available if required.
Service provider	Business or individual which offers service to others in exchange for payment.
Shareholder	An owner of shares in a company.
Shareholder activism	A way in which shareholders can influence a corporation's behaviour by exercising their rights as owners.
Solvency	The ability of a company to meet its long-term financial obligations.
Stakeholder	A party that has an interest in a company, and can either affect or be affected by the business.
Sustainable	Able to be maintained at a certain rate or level.
Tracker investing	Replicate the performance of a market index.
Umbrella fund	A collective investment scheme that exists as a single legal entity but has several distinct sub-funds.
Valuator	One who estimates officially the worth or value or quality of things.

Acronyms

ALM	Asset liability modelling
BEE	Black economic empowerment
BRICS	Brazil, Russia, India, China and South Africa
CAR	Capital adequacy reserve
CPI	Consumer Price Index
CRISA	Code for Responsible Investment in South Africa
DBS	Death Benefit Scheme
DC	Defined contribution
EE	Employment equity
ESG	Economic, social and governance
FSCA	Financial Sector Conduct Authority
FTSE	Financial Times Stock Exchange
HR	Human resources
IAASB	International Auditing and Assurance Standards Board
IBNR	Incurred but not reported
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
ISA	International Standards on Auditing
IT	Information technology
JSE	Johannesburg Securities Exchange
KPI	Key performance indicator
MOPF	Mine Officials Pension Fund
NQF	National Qualifications Framework
PFA	Pension Funds Adjudicator
PO	Principal Officer
UASA	A trade union, formally known as the United Association of South Africa

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M Selinder

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12/8/1215

SARS approval number

18/20/4/30800

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