

# 20

TWO DECADES

INTEGRATED ANNUAL REPORT 2013



**CORONATION**   
FUND MANAGERS  
TRUST IS EARNED

# 20

TWO DECADES  
1993 – 2013

2013

- —●
- Rated Best Large Fund House – 2013 Morningstar South Africa Awards
- Top Performing Company over 5 years – Sunday Times Top 100 Companies
- Best Domestic Management Company of 2012 (awarded in 2013) – Raging Bull Awards
- Overall winner – Financial Mail Top Companies 2013
- POA Imbasa Yegolide Awards:
  - Equities Manager of the Year
  - Balanced Manager of the Year
- Africa Asset Management (formerly Africa Fund Manager) Performance Awards:
  - Coronation Multi-Strategy Arbitrage (Best Multi-Strategy Hedge Fund of the Year)
  - Coronation Houseview Equity (Best South Africa Equity Fund of the Year)
  - Coronation Presidio (Best Equity Hedge Fund of the Year)
  - Coronation Global Houseview (Best South Africa Balanced Fund of the Year)
  - Coronation Strategic Bond (Best South Africa Fixed Income Fund of the Year)
- AUM of R492 billion
- 25% staff-owned
- Total staff complement of 246

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# CONTENTS

CORPORATE STRUCTURE	2
SCOPE OF THE REPORT	3
CORPORATE INFORMATION	4
BUSINESS OVERVIEW	5
Our vision	6
Our culture	6
Client charter	6
Stakeholders	7
KEY FOCUS AREAS AND PERFORMANCE	9
PRODUCT RANGE	18
BOARD OF DIRECTORS	20
CHAIRMAN'S STATEMENT	22
CHIEF EXECUTIVE OFFICER'S REVIEW	25
CORPORATE GOVERNANCE	30
RISK MANAGEMENT AND COMPLIANCE	35
BUSINESS SUSTAINABILITY	42
FINANCIAL PERFORMANCE	52
AUDITOR INDEPENDENCE	58
GLOSSARY OF TERMS	59
NOTICE TO SHAREHOLDERS	60
FORM OF PROXY	INCLUDED



2007

Signatory to the United Nations' Principles for Responsible Investment (UNPRI)  
Launch of Global Emerging Markets unit trust fund  
Launch of Africa unit  
31% staff-owned  
AUM of R134 billion  
Total staff of 169

2006

AUM exceed R100 billion  
Formation of PPS Investments  
Symmetry Hedge Fund Award – Coronation Granite Fixed Income  
28% staff-owned  
Total staff of 155

2005

Launch of Coronation Fund Managers (Botswana)  
Developed a range of retirement products for the retail market  
Raging Bull Unit Trust Company of the Year  
Formation of the Imvula Trust – our B-BBEE partner  
Closure of Absolute unit to new institutional investors  
AUM of R82 billion  
Total staff of 140

2004

Raging Bull Unit Trust Company of the Year  
AUM of R64 billion  
Total staff of 138

2003

Publicly listed on the Johannesburg Stock Exchange  
Runner-up Raging Bull Unit Trust Company of the Year  
Best Larger Unit Trust Group over 1 year – Financial Mail/Standard & Poor's Awards  
First asset manager in South Africa to gain GIPS® compliance  
Rated Best Unit Trust Provider in PwC Survey of SA Bankers  
AUM of R54 billion  
Total staff of 133

1998

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

1999

First to introduce absolute products to the South African market  
Opened London office  
Revolutionised industry through offering of pooled products through Coronation Life

2000

AUM of R47 billion  
Runner-up Raging Bull Unit Trust Company of the Year

2001

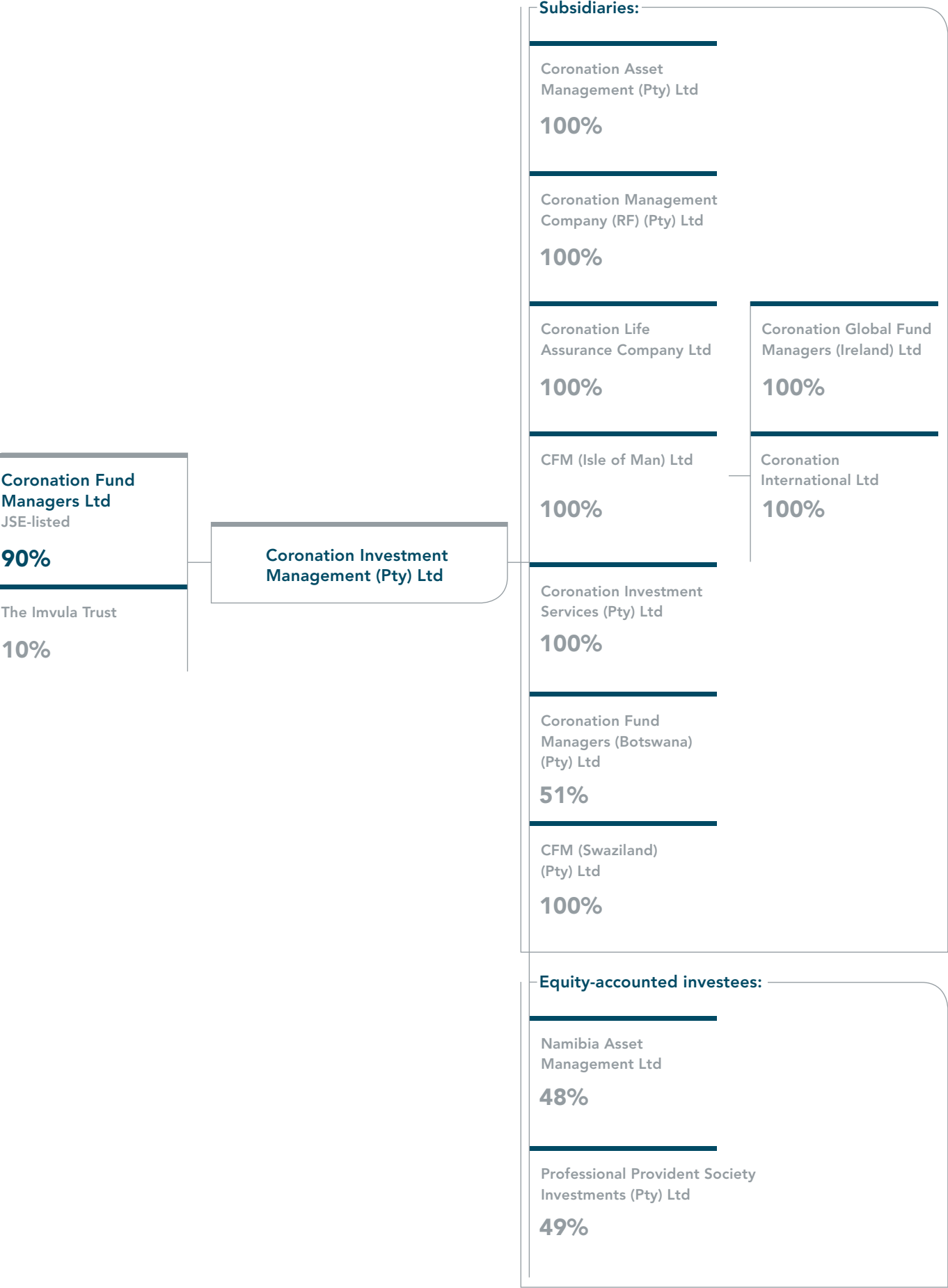
Rated Best Unit Trust Provider in PwC Survey of SA Bankers  
Top 10 rating in Deloitte 'Best companies to work for' survey  
Runner-up Raging Bull Unit Trust Company of the Year

2002

Launch of Kagiso Asset Management  
Raging Bull Unit Trust Company of the Year  
Named 2nd Best Larger Unit Trust Group over 1 and 3 years – Financial Mail/Standard & Poor's Awards

TRUST IS EARNED™

# CORPORATE STRUCTURE



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## SCOPE OF THE REPORT

This report aims to provide long-term investors with a holistic view of how we create value, both now and in the future. While primarily for shareholders, it also addresses clients and staff due to their importance in the delivery of long-term investment performance.

Compiled, where applicable, in compliance with International Financial Reporting Standards (IFRS), the Companies Act, No. 71 of 2008, the Listings Requirements of the JSE, and guided by the King Report on Governance for South Africa 2009 (King III), the Draft International Integrated Report Framework as well as discussion papers issued by the International Integrated Reporting Council (IIRC) and the Integrated Reporting Council of South Africa (IRCSA), this report includes the business strategy, objectives, performance and activities of the Coronation Fund Managers Group. In terms of the IIRC's recommended reference to the six capitals of financial, human, intellectual, social and relationship, natural and manufactured, only the first four are material to our business.

All non-financial information has been produced with reference to the requirements of the Global Reporting Initiative (GRI).

### DIRECTORS' APPROVAL

The board of directors has approved the content of this report for the year ended 30 September 2013, of which the group's consolidated financial statements form part.

After making due enquiries, the directors are satisfied that the company has adequate resources to continue operating for the foreseeable future. For this reason, the financial statements have been prepared on the going concern basis.

The full set of our audited annual financial statements can be found on the investor relations section of our website ([www.coronation.com](http://www.coronation.com)).

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## CORPORATE INFORMATION

Annual general meeting

Thursday 16 January 2014 at 10:00

Share code (ordinary shares): CML

ISIN number: ZAE000047353

### BOARD OF DIRECTORS

Shams Pather (independent non-executive chairman)

Anton Pillay (chief executive officer)

Judith February

Jock McKenzie

John Snalam (chief financial officer)

Alexandra Watson

Hugo Nelson (chief executive officer)

Resigned 1 February 2013

### TRANSFER SECRETARIES

Computershare Investor Services (Pty) Ltd

70 Marshall Street

Johannesburg 2001

### POSTAL ADDRESS

PO Box 61051

Marshalltown 2107

### COMPANY SECRETARY

Lee-Anne Parenzee

### REGISTERED OFFICE

7th Floor, MontClare Place

Cnr Campground and Main Roads

Claremont 7708

Cape Town

### POSTAL ADDRESS

PO Box 44684

Claremont 7735

### AUDITORS

Ernst & Young Inc.

35 Lower Long Street

Cape Town 8001

### POSTAL ADDRESS

PO Box 656

Cape Town 8000



## BUSINESS OVERVIEW

Coronation Fund Managers, headquartered in Cape Town, South Africa, is one of southern Africa's most successful third-party fund management companies.

We focus solely on fund management and earning our clients' trust through strong investment performance and appropriate product offering. At the heart of the organisation is a single global investment team and process, which is fully integrated with risk management and corporate governance. The board oversees all group operations.

The business is built around two primary market segments.

### ■ INSTITUTIONAL

We are one of the largest managers of institutional assets in South Africa, managing assets for approximately 85% of the top 200 retirement funds in the country. Our product offering covers all asset classes across a number of geographies in both segregated and pooled mandates. Clients include pension and provident funds, medical schemes, many of the major banking and insurance groups as well as a number of competitors through their multi-manager frameworks. We also manage assets for a growing number of international retirement funds, endowments and family offices. Distribution is conducted primarily through investment consultants.

### ■ RETAIL

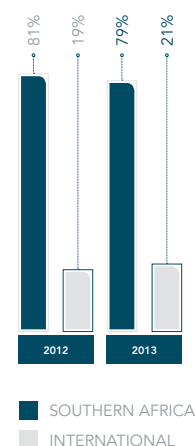
Our unit trust management company is the second largest manager of long-term assets in the South African unit trust industry. We offer a focused range of funds matched to the needs of local investors, distributed through the non-affiliated channels of independent financial advisors and linked investment service providers.

## STRATEGY

Our strategy is to remain singularly focused on fund management by applying our insight and experience to generate consistent long-term wealth across markets for all our clients. We will continue to nurture our established South African institutional business and invest in the growth of our offering to global capital allocators. Our retail business, which manages assets on behalf of individual investors in South Africa, has experienced significant growth over the last two years and we will continue to invest in this area of the business. Our leadership position in investment management in South Africa provides us with the expertise to further grow our global offering through the introduction of products that satisfy the long-term return expectations of our clients.

We pursue a return objective of generating alpha and are not asset gatherers.

### REVENUE SPLIT



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## BUSINESS OVERVIEW CONTINUED

### OUR VISION

Our vision is to deliver investment excellence to our clients – excellence of investment performance and client service.

### OUR CULTURE

We are an independent investment business focused on the long term, with a strong culture of staff ownership and entrepreneurial flair. Staff own 25% of the business.

Our people are independent thinkers with shared values and the ability to achieve with passion and energy. With a singular focus on fund management, we strive to be the best in all we do.

We have six values that define our culture, principles and behaviour:

- Always put clients first
- Think and act like an owner, not an employee
- Always act with integrity
- One business one team
- Excellence in all we do
- Think contribution not title

### CLIENT CHARTER

In the delivery of long-term investment performance, our commitment to clients is encapsulated as follows:

- We strive to always put our clients first
- We have an unwavering commitment to the long term
- We focus on producing top performance over all meaningful periods
- We are uncompromising about ethics

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## STAKEHOLDERS

Our major stakeholders:

- Clients and intermediaries
- Staff
- Regulators
- Shareholders

Revenue is generated from our ability to add value to the assets we manage within the regulatory framework, which informs both our employee remuneration structure and shareholder return. This we believe ensures that our stakeholders' objectives are aligned.

The company understands and places high importance on the information needs of all stakeholders.

### ■ CLIENTS AND INTERMEDIARIES

Engagement with our institutional clients takes place on an ongoing basis through frequent interaction at client meetings, investment report-backs and operational due diligences, as well as via the monthly and quarterly reporting process. Dedicated client relationship managers and fund managers ensure that client requests for information are attended to timeously.

Within the retail business, a team of client service professionals respond to all client queries in accordance with strictly monitored turnaround times. The specialist communication needs of the professional advisor market are serviced by our highly skilled investment specialists.

A formal process for addressing client complaints exists within the business, which includes escalation of serious issues to senior management, where the decision on the appropriate course of action is taken.

Clients and intermediaries receive regular communication covering a range of topics, including thought-leadership articles, industry trends, market insights and business news. In addition, our company website provides extensive product information and carries all the latest brochures and media coverage. We host comprehensive institutional and retail roadshows, meetings and presentations throughout the course of the year and conduct focused research at multiple customer touchpoints.

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## BUSINESS OVERVIEW CONTINUED

### ■ STAFF

Staff enjoy an open-door policy, providing for ongoing dialogue with management on any aspect of the business. In addition, the chief executive officer presents the financial results and business update to staff twice a year. A biannual performance appraisal process affords staff and managers the platform to measure past performance, identify future objectives and career development opportunities, including training, mentorship and coaching where appropriate.

We operate in a solutions-driven culture, where teamwork, individual achievement and continuous learning are encouraged. We rate and reward our people on their ability to add value to our clients and the business.

### ■ REGULATORS

We engage with the following regulatory bodies in the various jurisdictions in which we operate on an ongoing basis:

- Financial Services Board (South Africa)
- Financial Conduct Authority (UK)
- Central Bank of Ireland (Ireland)
- Non-Bank Financial Institutions Regulatory Authority (Botswana)
- Securities and Exchange Commission (USA)
- Financial Services Regulatory Authority (Swaziland)

Our approach to corporate governance ensures that all communication is conducted timeously and through the appropriate channels with the various regulatory bodies in the jurisdictions in which we operate.

Through our membership of different industry bodies we are able to lobby our views on proposed legislation and potentially influence legislation, with the aim of ensuring that the interests of investors and the industry are taken into consideration. In South Africa, our involvement with industry body Association for Savings & Investment SA (ASISA) enables this proactive engagement with the regulators and policymakers. Coronation is well represented on ASISA committees and working groups, which ensures our awareness and participation in all industry initiatives.

### ■ SHAREHOLDERS

Through a programme of meetings with major shareholders and analysts, shareholders are kept appropriately informed on matters relevant to the business. Conference calls and meetings are held twice a year following the release of the interim and annual results. Results are distributed to shareholders, hosted on the company website and communicated via SENS.

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## KEY FOCUS AREAS AND PERFORMANCE

Material issues, which inform the content of this report, are defined as those which impact our strategic business decisions. They are identified on a continuous basis through the review of our business strategy and board reports, interaction with our stakeholders, and awareness of the key risks and opportunities to which the business is exposed.

All material issues are framed by the following five focus areas, each of which contributes to addressing our core business values and executing our strategy:

- 
- 1 Investment performance
  - 2 Client service
  - 3 Governance
  - 4 Staff
  - 5 Shareholder value

The sustainability of our business lies in our ability to produce consistent superior long-term investment performance, provide client service excellence and ensure client retention.

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## KEY FOCUS AREAS AND PERFORMANCE CONTINUED

1

### INVESTMENT PERFORMANCE

Our long-term track record of consistent alpha generation is testament to the rigour of our single investment philosophy and process. To protect the future outcomes for clients, we closed the institutional SA Equity product range and the Balanced and Absolute Return range to new clients in 2012.

#### ONE INVESTMENT PHILOSOPHY

- Long-term time horizon
- Proprietary research
- Integration of environmental, social and governance (ESG) considerations in the investment decision-making process
- All client portfolios reflect the Coronation DNA – best investment view

#### NO WINDOW DRESSING OF RETURNS

- Institutional and retail clients treated equally
- First manager in South Africa to become GIPS® compliant

#### APPROPRIATE PRODUCT

- Complete institutional offering across asset classes and geographies
- Focused range of domestic and international unit trust funds grouped by investor need
- Innovate and develop products that meet the needs of investors

#### INVESTMENT TEAM

- Integrated global team headquartered in Cape Town
- One of the only investment teams in the world with three former chief investment officers still actively managing money
- 65 professionals, each with an average of more than 11 years in the industry and 8 years with Coronation

#### KEY PERFORMANCE INDICATOR

- Ranking in Alexander Forbes SA Large Manager Watch™
- Ranking in Alexander Forbes Global Large Manager Watch™
- Performance data produced by Morningstar

## MEASUREMENT

### INSTITUTIONAL: BALANCED PORTFOLIOS

QUARTILE RANKING TO 30 SEPTEMBER 2013

	5 YEARS	10 YEARS
Alexander Forbes SA Large Manager Watch™	1	1
Alexander Forbes Global Large Manager Watch™	1	1

### RETAIL: FLAGSHIP FUNDS

QUARTILE RANKING TO 30 SEPTEMBER 2013

INVESTOR NEED	FUND	5 YEARS	10 YEARS	SINCE INCEPTION
Long-term growth (equity only)	Top 20	1	1	1
Long-term growth (multi-asset)	Balanced Plus	1	1	1
Income and growth	Capital Plus	1	1	1
Income and growth	Balanced Defensive	1	–	1
Income only	Strategic Income	1	1	1

Source: Morningstar

### INTERNATIONAL: US DOLLAR FUNDS

FUND	ANNUAL ALPHA*	LAUNCH DATE	FEES
Global Emerging Markets	9.30%	14-JUL-08	GROSS
Africa Frontiers	11.50%	01-OCT-08	GROSS
Global Managed	3.50%	01-MAR-10	GROSS
Global Capital Plus	7.03%	01-SEP-09	GROSS
Global Bond	2.70%	01-OCT-09	GROSS
Global Equity Fund of Funds	1.20%	01-JUL-00	NET
Global Equity Alternative Strategy Fund of Funds	3.30%	01-AUG-96	NET

\* Annual alpha for institutional portfolios since launch to end September 2013

## KEY FOCUS AREAS AND PERFORMANCE CONTINUED

### AWARDS 2013

#### MORNINGSTAR AWARDS



- Best Large Fund House
- Cautious Allocation – Coronation Balanced Defensive
- Aggressive Allocation – Coronation Market Plus
- Bond - Short-term – Coronation Strategic Income
- Property - Indirect South Africa – Coronation Property Equity

#### IMBASA YEGOLIDE AWARDS



- Equities Manager of the Year
- Balanced Manager of the Year

#### RAGING BULL AWARDS



- Management Company of the Year
- Domestic Asset Allocation Prudential Fund – Coronation Balanced Defensive
- Domestic Equity Industrial Fund – Coronation Industrial
- Domestic Real Estate Fund – Coronation Property Equity
- Domestic Asset Allocation Prudential Low Equity Fund – Coronation Balanced Defensive
- Foreign Equity General Fund – Coronation Global Opportunities Equity [ZAR] Feeder

#### SUNDAY TIMES TOP 100 COMPANIES



- Top Performing Company over 5 years

#### FINANCIAL MAIL TOP COMPANIES



- Overall winner

#### AFRICA ASSET MANAGEMENT PERFORMANCE AWARDS



- Multi-Strategy Hedge Fund – Coronation Multi-Strategy Arbitrage
- South Africa Equity Fund – Coronation Houseview Equity
- Equity Hedge Fund – Coronation Presidio
- South Africa Balanced Fund – Coronation Global Houseview
- South Africa Fixed Income Fund – Coronation Strategic Bond



## CLIENT SERVICE

We work hard at building and maintaining our clients' trust, which is why half the institutional assets under our management are from clients who have been with Coronation for more than a decade. As an independent asset manager, managing only third-party assets, we understand the importance of client relationships.

Our institutional and retail investors include some of the largest retirement funds, medical schemes and multi-manager companies, many of the major banking and insurance groups, selected investment advisory businesses, prominent independent financial advisors, high-net-worth individuals and direct accountholders of unit trusts and retirement products. We also manage a growing number of global institutional clients.

We manage assets for approximately 85% of the top 200 pension funds in South Africa, including assets for the government pension funds of South Africa, Botswana, Lesotho, Namibia and Swaziland.



CLIENTS, REPRESENTING **50%** OF TOTAL INSTITUTIONAL ASSETS, HAVE BEEN WITH CORONATION FOR MORE THAN 10 YEARS.

Consistent with our client charter which encapsulates the values that guide our behaviour, putting clients' needs at the forefront of what we do is a key priority. We know that without clients we have no business and that the assets under our management can leave us on 24 hours' notice. We aim to provide excellent levels of service to all our clients, measured through ongoing client experience surveys with our direct retail investors and annual qualitative research within the independent financial advisor market. The key principles of our retail client service philosophy are accessibility, accuracy and simplicity. We have therefore set demanding client service benchmarks to ensure that our client service team remains focused on delivering on these principles. Coronation supports the principles set out in the FSB's *Treating Customers Fairly* programme, and through our involvement with ASISA we are actively engaged in refining the practical aspects of this outcomes-based framework. We will continue to roll out a number of projects in support of this initiative in 2014, including an enhancement of the information and disclosures we provide for all our unit trust funds.

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## KEY FOCUS AREAS AND PERFORMANCE CONTINUED

3

### GOVERNANCE

Coronation maintains a robust corporate governance framework, effected through a unitary board and various subcommittees as well as the appointment of Deloitte as independent internal auditors.

The regulatory environment continues to evolve, both in South Africa and internationally. We are proactive in shaping a safer financial sector as contemplated in National Treasury's *A safer financial sector to serve South Africa better*, through our involvement with ASISA, and direct engagement with our regulators.

Our global risk and compliance department, with advice from external risk, legal, regulatory and compliance experts, ensures that we comply with the full regulatory universe applicable to our business. Risk management follows an integrated approach and is well entrenched in the group. In anticipation of growing operational requirements we have strengthened our skill set through the appointment of a global head of department and the appointment of key resources in London and Ireland. No material issues have been identified that could expose the business to any actual or contingent risk.

The board is of the opinion that the group has applied all significant governance principles in King III and that it is fully compliant with all significant Listings Requirements of the JSE. Please refer to the King III table on our website ([www.coronation.com](http://www.coronation.com)), which explains how the principles are applied in the business. The group continues to place a high priority on ensuring it complies with all regulatory and statutory obligations.

## STAFF

At the heart of the Coronation DNA are our people. It is their passion, insight and extraordinary blend of skill which will sustain our business into the future. We operate in a flat structure with a culture of excellence.

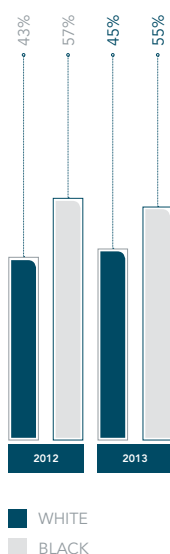
Teamwork, individual achievement and continuous learning that is fully supported by the company, are all key components of our culture. We employ a total staff complement of 246, of whom 65 are investment professionals. Staff retention is critical to the success of the business (see staff turnover diagram below and staff demographics on page 45) and is achieved through a range of initiatives.

As a pure fund manager, staff compensation is directly linked to the strength of investment performance and service delivery to clients. The bonus pool, which is calculated as 30% of the pre-tax profit, is utilised to reward staff for their contribution towards the success of the company, including acknowledgment of exceptional performance. In line with our long-term focus, the bonus pool is also utilised to allocate investments in Coronation shares and unit trusts to staff, which vest over a predetermined number of years (ranging from 1 to 7 years).

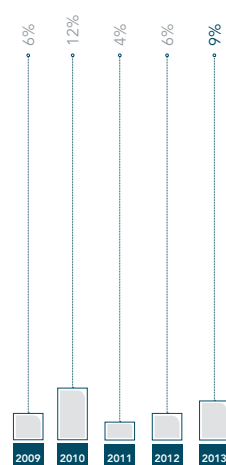
The settlement of the debt within our staff empowerment vehicle, the Imvula Trust, has also facilitated the realisation of economic benefit to beneficiaries.

Staff are encouraged to maintain their shareholding in Coronation, which currently stands at 25%.

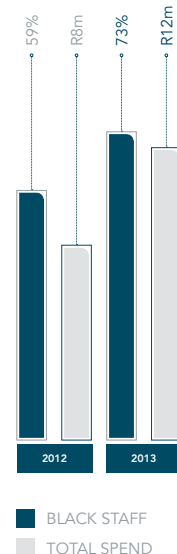
### SOUTH AFRICAN STAFF



### STAFF TURNOVER OVER LAST 5 YEARS



### STAFF TRAINING SPEND



## KEY FOCUS AREAS AND PERFORMANCE CONTINUED

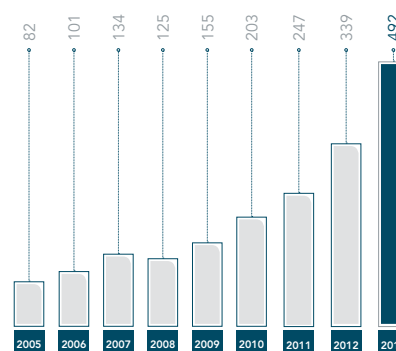
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### SHAREHOLDER VALUE

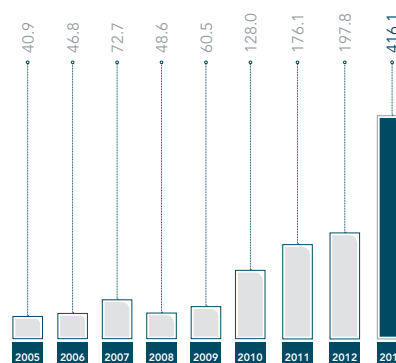
All key focus areas, as previously defined, combine in the execution of our strategy to create shareholder value. Over the past few years the company has enjoyed a fairly stable shareholder base.

KEY PERFORMANCE INDICATORS	2011	2012	2013
Cost-to-income ratio (%)	47.9	51.2	<b>46.3</b>
Dividend distributions (cents)	172	206	<b>416</b>
Rolling 5-year total return (% p.a.)	20	26	<b>65</b>

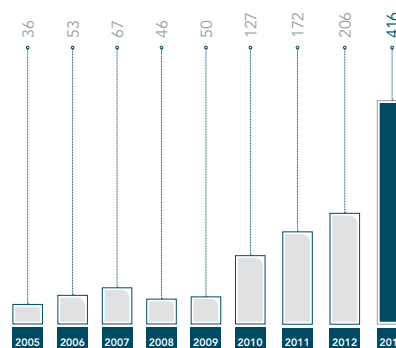
### ASSETS UNDER MANAGEMENT OF R492 BILLION UP 45%



### DILUTED HEADLINE EARNINGS PER SHARE OF 416.1 CENTS UP 110%



### TOTAL DIVIDEND PER SHARE OF 416 CENTS



## ANALYSIS OF SHAREHOLDERS

DISTRIBUTION OF SHAREHOLDERS	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	4 935	40.93	2 461 105	0.70
1 001 – 10 000 shares	5 757	47.75	20 240 081	5.79
10 001 – 100 000 shares	1 118	9.27	32 593 348	9.32
100 001 – 1 000 000 shares	189	1.57	64 395 534	18.41
1 000 001 shares and over	58	0.48	230 109 034	65.78
	12 057	100.00	349 799 102	100.00

DISTRIBUTION OF SHAREHOLDERS	Number of shareholders	%	Number of shares	%
Banks	94	0.78	63 280 099	18.09
Brokers	35	0.29	7 555 907	2.16
Close corporations	122	1.01	884 471	0.25
Endowment funds	41	0.34	855 424	0.24
Hedge funds	2	0.02	748 899	0.21
Individuals	9 270	76.88	57 156 275	16.35
Insurance companies	46	0.38	5 659 816	1.62
Investment companies	16	0.13	1 856 036	0.53
Medical aid schemes	7	0.06	169 278	0.05
Mutual funds	225	1.87	56 481 356	16.15
Nominees and trusts	1 594	13.22	27 284 090	7.80
Other corporations	88	0.73	741 927	0.21
Pension funds	113	0.94	31 475 425	9.00
Private companies	202	1.68	7 371 811	2.11
Public companies	13	0.11	716 918	0.20
Staff holdings	187	1.55	87 090 232	24.90
Sovereign wealth funds	2	0.02	471 138	0.13
	12 057	100.00	349 799 102	100.00

PUBLIC/NON-PUBLIC SHAREHOLDERS	Number of shareholders	%	Number of shares	%
<b>Non-public shareholders</b>	187	1.55	87 090 232	24.90
Directors*	6	0.05	8 885 535	2.54
Shares held by staff	181	1.50	78 204 697	22.36
<b>Public shareholders</b>	11 870	98.45	262 708 870	75.10
	12 057	100.00	349 799 102	100.00

\* Includes directors of subsidiary companies

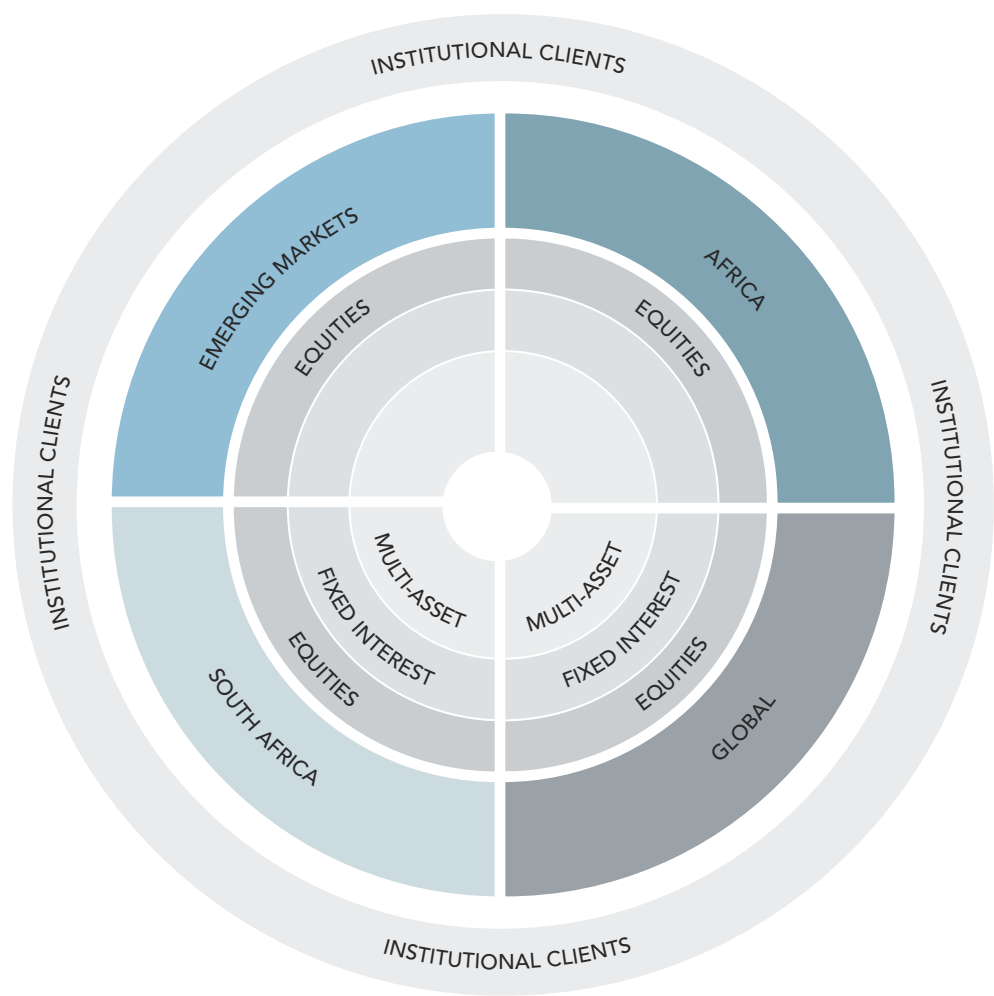
GEOGRAPHICAL OWNERSHIP	Number of shareholders	%	Number of shares	%
Southern Africa	11 727	97.26	274 774 199	78.55
International	330	2.74	75 024 903	21.45
	12 057	100.00	349 799 102	100.00

SHAREHOLDERS WITH BENEFICIAL INTEREST OF 5% OR MORE IN SHARES	Number of shares	%
The Invula Trust	31 774 043	9.08
Government Employees Pension Fund	22 569 969	6.45
The Gabriel Trust	19 500 000	5.57

# PRODUCT RANGE

## INSTITUTIONAL

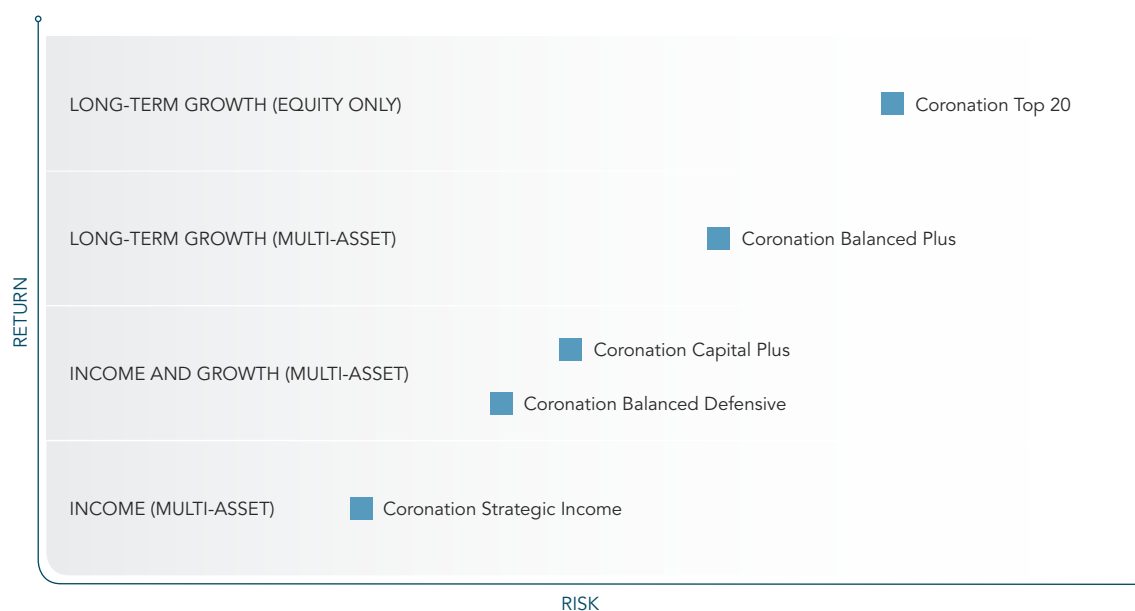
We offer institutional investors segregated and pooled portfolios across asset classes within our Global and South African mandates, and pure equity portfolios when investing in our Emerging Markets and Africa funds.



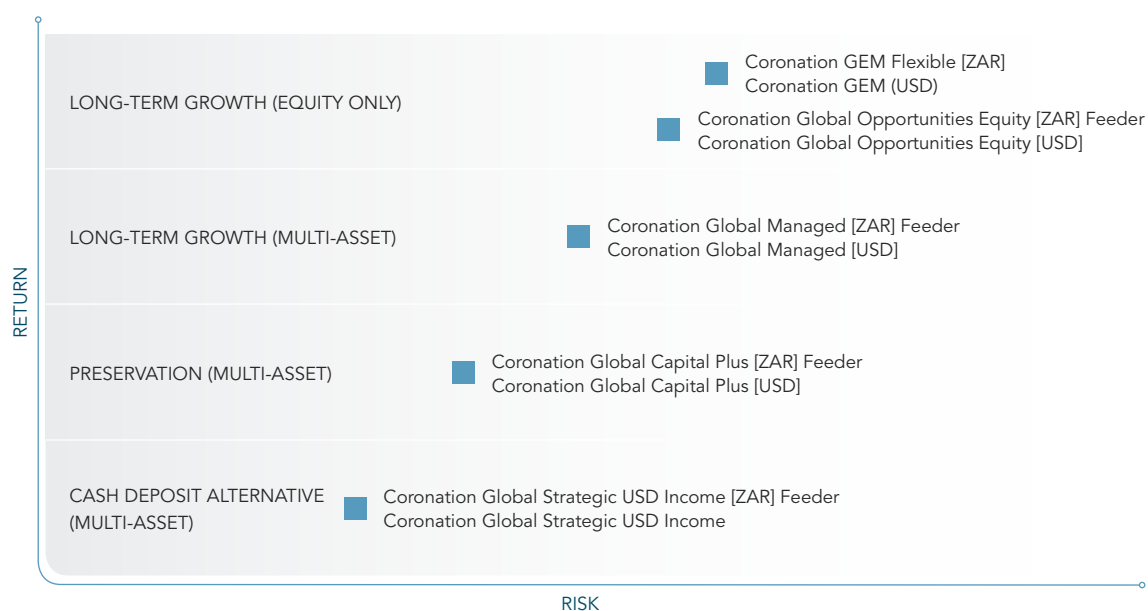
## RETAIL

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

### DOMESTIC FLAGSHIP FUND RANGE



### INTERNATIONAL FUND RANGE



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## BOARD OF DIRECTORS AS AT 30 SEPTEMBER 2013



### JOCK McKENZIE

Independent non-executive director, 66  
BSc (Chem Eng), MA (Lancaster)

Jock is a member of the boards of Sappi, Capitec and Wesgro. He chairs the board of trustees of the University of Cape Town Foundation, the Carleton Lloyd Education Trust and the Rondebosch Boys' Schools Education Trust. He is also a trustee of Save the Children Fund, Cape. Jock has held several senior executive positions globally and in South Africa. In 1999 he was appointed chairman and chief executive officer of the Caltex Corporation, and served as president for Asia, Middle East and Africa Products of the Chevron Texaco Corporation from October 2001 to January 2004. Jock was appointed to the board in May 2009.

### SHAMS PATHER

Independent non-executive chairman, 63  
BBusSc, BCom (Hons), MBA

Shams was appointed to the board in the position of chairman in March 2009. He has more than 30 years' experience in the asset management industry. From 1974 to 2003 he worked at Norwich Union, Colonial Mutual Life Assurance, Southern Life and Real Africa Asset Management. Directorships include Oceana Group Ltd, Lungisa Industrial (Pty) Ltd, Lungisa Technologies (Pty) Ltd, Lungisa Investment Holdings (Pty) Ltd, Centre for Proteomics and Genomics Research and Kagiso Tiso Holdings (Pty) Ltd. Shams is also a member of the UCT Joint Investment Council.

### ANTON PILLAY

Chief executive officer, 43  
BBusSc, CA(SA), CFA, AMP (Harvard)

Anton was appointed chief executive officer of Coronation Fund Managers in February 2013 and has been a member of the board since June 2009. He joined Coronation from BoE (Pty) Ltd in January 2006. During his career with BoE/Nedbank he held a number of key positions and directorships, including assistant general manager of the private bank, general manager of group investments and head of private banking. He has extensive knowledge and experience of the investment and banking industry.





#### JUDITH FEBRUARY

Independent non-executive director, 42  
BA (Law), LLB, LLM (UCT)

Judith is the executive director: Democracy and Governance at the Human Sciences Research Council (HSRC). Prior to that, she headed up IDASA's South African governance programme for 12 years. She practised law in Cape Town until 2000, the same year in which she obtained her LLM in Commercial Law. Judith joined IDASA in June 2000. Her column *Between the Lines* appears fortnightly in the Cape Times and she is a regular media analyst on South African politics. She is the co-editor of *Testing democracy: Which Way is South Africa heading?* IDASA (2010). Judith was appointed to the board in August 2008.

#### JOHN SNALAM

Chief financial officer, 54  
BCom (CTA), CA(SA)

John has been the chief financial officer of Coronation Fund Managers since its inception in 1993. During that time he has been responsible for all finance and legal functions related to the business as well as responsibilities for operations, risk and compliance. He has also held directorships on the boards of all South African operating subsidiaries of the group. Prior to joining Coronation, John spent eight years in the fields of finance, operations and compliance within financial services companies in London and South Africa. John was appointed to the board in November 2012.

#### ALEXANDRA WATSON

Independent non-executive director, 57  
BCom (Hons), CA(SA)

Alexandra is a professor at the University of Cape Town, where she is the co-ordinator of teaching and learning in the college of accounting. She is a former chairman of the accounting practices committee and the technical accounting committee of SAICA, and was an independent director of Coronation Investments and Trading Ltd. Alexandra is a board member and chair of the audit committee of Control Instruments and chairs the council of Herschel Girls School. With effect from 1 January 2014, she is a board member of the Global Reporting Initiative. Alexandra was appointed to the board in May 2008.

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## CHAIRMAN'S STATEMENT



**SHAMS PATHER** CHAIRMAN

Coronation Fund Managers celebrates its 20th year in business with an outstanding set of results for the 12 months to 30 September 2013. Anchored by its unwavering commitment to investing for the long term, the business produced superior returns in a strong (yet highly volatile) market environment, attracting significant net inflows of R54 billion, including direct flows into international products of R17 billion. Total assets under management grew by 45% to R492 billion (September 2012: R339 billion), including an increase in our international assets under management to R80 billion (September 2012: R36 billion).

The year began with a flurry of political events around the world. President Obama won a second term and immediately faced the fiscal cliff in January 2013, followed by the debt crisis in September. In China the new leadership of the communist party was announced, and in Japan Shinzo Abe was appointed prime minister, followed shortly thereafter by a shift in monetary policy – Japanese style quantitative easing. In Europe, Enrico Letta formed a coalition government after the February elections failed to produce a clear majority; Italy has since emerged as the primary threat to the eurozone recovery as it battles to address its economic malaise.

It has been a difficult year for South Africa. Following the Marikana tragedy, the labour situation has remained fraught with strike activity impacting significantly on output growth, exports and business confidence. Consumer demand has weakened. The slow pace of fiscal consolidation and rising government debt burden has seen our country downgraded by all three major ratings agencies since September 2012. The South African Reserve Bank has attempted to support growth by keeping interest rates low even as inflation has risen. All these factors, combined with the anticipated near-term withdrawal of some US monetary accommodation, have seen the rand remain weak.

Equity markets around the world were supportive throughout the financial year, delivering strong returns – the MSCI World Index was up 21% and the FTSE/JSE All Share Index up 27%. However, volatility was high, with emerging markets selling off during the third quarter on the US Federal Reserve's announcement of possible quantitative easing tapering. These markets then rallied strongly in September when no policy change was introduced, producing 1.3% (as measured by the MSCI Emerging Markets Index) for the financial year. The rand fell 17.2% against the US dollar to end the period under review at R10.03, and 21.2% against the euro to close at R13.55.

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The continuation of excellent investment performance and the substantially increased asset base of the business generated an 84% increase in revenue to R3.6 billion for the financial year. This resulted in an increase in profit from fund management of 102% to R2 billion and diluted headline earnings per share of 110% to 416 cents (September 2012: 197.8 cents). If the effect of Secondary Tax on Companies (STC) in the 2012 financial year is removed, as a result of the introduction of Dividends Tax (DT), the increase in diluted headline earnings per share is 102%.

## STRATEGY

As a board, our objective is to ensure that management implements the most appropriate initiatives that will enable the business to achieve its strategic goals. To generate consistent long-term wealth across investment markets for clients, we remain true to our investment philosophy and culture.

Our international offering, specifically our Global Emerging Markets and Africa funds, has attracted the attention of a number of investment consultants across the globe. This can be attributed to the strength of these funds' performance track records since their respective launch dates a little more than five years ago. This relatively early success gives us the conviction to extend our offering to include a global equity fund. Louis Stassen, a founder member of the business and a former chief investment officer, will focus on the development of this fund from January 2014. In addition, we are currently doing the groundwork for the establishment of a global frontiers product.

We continue to nurture our established South African institutional business by aiming to consistently deliver on our clients' investment objectives and ensuring

the very best in client service. We have experienced significant growth in our retail business and remain focused on ensuring that we build and maintain clear and open channels of communication when engaging with professional advisors and our growing number of direct investors.

## GOVERNANCE

Coronation's approach to corporate governance recognises the importance of creating an environment of effective oversight and accountability. The board takes overall responsibility for ensuring the highest standard of governance across the business, and is confident in delegating its strict application and compliance to our highly skilled management team.

The principles of the Code of Corporate Practices and Conduct, as set out in King III, have been considered and applied, except where otherwise indicated. Coronation has been a signatory to the United Nations' Principles for Responsible Investment since 2007 and supports the Code for Responsible Investing in South Africa.

Coronation recognises the challenging and changing environment, both within South Africa and across the globe. As a participant in the global financial markets we support the introduction of measures that are appropriate to ensuring a better long-term investment experience for investors. As a good corporate citizen we understand and embrace our role in the financial services industry and society at large, always operating with the highest standards of ethical conduct.

The board comprises four independent non-executive directors and two executive directors. All subcommittees are chaired by non-executive directors.

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## CHAIRMAN'S STATEMENT CONTINUED

### TRANSFORMATION

As a South African company we are committed to B-BBEE as we believe it will strengthen our business and deepen the value we contribute to society.

We employ a diverse staff complement, which currently comprises 55% black and 45% white. Human capital is a key factor in our business and hence we have a number of programmes in place to ensure that we achieve true transformation at all levels of the business. For Coronation, corporate social investment is best directed where it matters most. The initiatives in which we are involved seek to empower individuals with skills that will lead to personal growth and the upliftment of communities (refer to corporate social investment on page 48). Likewise, we recognise that by applying strict consideration rules in our procurement processes we create the opportunity for enhanced economic activity.

On 28 February 2013, Coronation's broad-based black economic empowerment partner, the Imvula Trust (Imvula), acquired a direct ownership of 10% in Coronation in exchange for Imvula's shareholding in the unlisted Coronation Investment Management (Pty) Ltd. Imvula, the beneficiaries of which comprise all black staff, was created in April 2005.

Coronation is a Level III contributor as measured by the Department of Trade and Industry's *Broad-Based Black Economic Empowerment Codes of Good Practice* (issued by Empowerdex).

### ACKNOWLEDGEMENTS

I thank my fellow board members for their insights and perspectives over the past year. In particular, I would like to commend Anton Pillay for his seamless transition from chief operating officer to chief executive officer. It has been a year of truly exceptional investment performance and on behalf of the board I wish to extend our gratitude to the investment team for their steadfast application of our long-term investment philosophy under the guidance of chief investment officer Karl Leinberger. To all our staff, I thank you for always living the culture of mutual respect and dedication towards professionalism and exceptional client service.

### PROSPECTS

We continue to caution investors that the absolute levels of returns delivered by capital markets are unsustainable and that we expect lower returns in the future.

Over our 20-year history we have established a robust business. However, as a cyclical business our revenues are geared to market returns and the alpha we deliver in the funds we manage. We remain mindful of the fact that the alpha we generate is lumpy and that short-term alpha is currently at a cyclical high.

The years ahead will undoubtedly present a more difficult investment environment and we will remain focused on creating long-term value through the cycle for all stakeholders.

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## CHIEF EXECUTIVE OFFICER'S REVIEW



**ANTON PILLAY** CHIEF EXECUTIVE OFFICER

In my first year as chief executive officer, I am in the privileged position to report that the business enjoyed yet another truly exceptional year. While the markets provided a solid backdrop to great investment performance, we have been humbled by the ongoing support of South African clients, both institutional and retail. We have also experienced the first true taste of our strategy to attract global capital allocators come to fruition.

We are honoured to have received the Sunday Times Top 100 Companies Award for the best performing listed company on the JSE over the last five years; a particular highlight in a period that marks our 20th year in business. However, it would be remiss if I failed to point out that our revenues are geared to both the returns of the market and our ability to generate alpha. We operate in a market that is cyclical and therefore the short-term alpha that we generate for our clients can be lumpy.

The overriding theme for the savings and investments industry since the onset of the global financial crisis in 2008 has been the quest for effective and efficient regulation. This pursuit of global harmony across financial markets has seen sweeping regulatory change and related jurisdictional challenges. Within South Africa, the industry is currently facing an ambitious programme of policy and regulatory interventions.

Building on the original policy document *A safer financial sector to serve South Africa better*, released by National Treasury in 2011, the intended reforms aim to increase household savings, further professionalise the industry and ensure better protection for savers and investors. We are supportive of government's objectives and are playing an active role in the various consultation processes informing this programme.

The most advanced component of the reform process, with potentially the most significant long-term implications for Coronation, is the reform of the country's retirement system. National Treasury released a post-consultation update on the policy proposals disclosed in our 2012 report. The key outcomes of this process, which will be implemented in the medium term, are:

- Requiring retirement fund trustees to provide retiring fund members with a default post-retirement income option.
- Harmonised and more targeted tax incentive rules across pension, provident and retirement annuity funds.
- Limiting the ability of fund members to use accumulated retirement savings for purposes other than purchasing a post-retirement income.

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## CHIEF EXECUTIVE OFFICER'S REVIEW CONTINUED

The final phase of revising the retirement system, still subject to consultation at the time of writing, is a review of its efficiency with a focus on ensuring that it delivers value for money to its participants. The policy options under consideration include auto-enrolment of all formally employed South Africans in a pension fund and moots the introduction of cheap, simple and standardised alternatives to the current, often complex, arrangements. We expect that consultation on these issues will be concluded during our 2014 financial year.

Government also proposes the introduction of tax-incentivised individual savings accounts (ISAs) as early as 1 March 2015. This proposal is modelled on a very successful programme introduced in the UK during 1999, which is currently used by more than half of all tax-paying households in that country.

The initiatives mentioned above represent the most significant attempt in the democratic era to strengthen our savings culture. If successful, it will lead to more financially secure households, a more resilient economy and a significantly larger national savings pool.

Other key regulatory initiatives that will impact our business are the FSB's *Treating Customers Fairly* (TCF) and *Retail Distribution Review* (RDR).

TCF is an outcomes-based framework, aimed at ensuring that investment and savings providers conduct their business in a manner that is consistent with the best interests of their customers. We take this objective very seriously, as already reflected in our voluntary client charter.

RDR is a review of business practices in the industry, primarily focused on eliminating conflicted remuneration models between product providers and their distribution

channels. Coronation expects that this process will culminate in a ban on any commission or rebate payments between fund managers and other parties in the value chain, such as linked investment services providers (platforms) and financial advisors. In anticipation of the expected regulatory intervention, we have introduced so-called clean price classes for use by platform and other nominee investors.

To address the significant increase in scale of the business and the changing regulatory environment, we have enhanced our operational infrastructure through the appointment of key resources and investment in information technology. Our total staff complement has grown by 13% to 246 at 30 September 2013.

As a business, we need to be able to adapt to regulatory change through efficient integration of our processes and enhanced communication channels. To ensure that we provide our clients with the very best service we have invested a significant amount in the development and implementation of advanced trading and reporting systems. In addition, appropriate structures have been established to enhance cross-border reporting in compliance with the regulatory frameworks in the jurisdictions in which we operate (refer to the risk management and compliance report on page 35).

### INSTITUTIONAL

The institutional business enjoyed strong support throughout the year, attracting total net inflows of R20.7 billion. R13.2 billion of this figure constituted direct flows from South African and global clients into our international pooled and segregated mandates.

Coronation now ranks as the second largest manager of institutional assets in the country.



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## INVESTMENT PERFORMANCE

As a long-term manager, we believe that the true measure of investment performance is over meaningful periods of five years and longer. We are proud of our domestic and global balanced portfolios having recorded first quartile performances over longer-term reporting periods of five and ten years in the respective Alexander Forbes SA Large Manager Watch™ and Global Large Manager Watch™ surveys as at end September 2013.

The power of compounding is critical to long-term wealth creation, and we are pleased to report that over its 20-year track record the Coronation Houseview Equity Portfolio has returned an annualised alpha of 3.6% (gross of fees) since inception in October 1993. Likewise, our first-to-market absolute portfolio, Global Absolute (launched August 1999), has generated alpha of 5.6% p.a. (gross of fees).

The uptake from global capital allocators into our Global Emerging Markets and Africa mandates reflects the solid performance track records established by these portfolios over the past five years. Since inception in July 2008, the Coronation Global Emerging Markets Fund has outperformed its benchmark by 9.3% p.a. (gross of fees), placing it 2nd in a global peer group of 63 funds as at end September 2013 (Source: *Bloomberg data net of fees*). Likewise, the Coronation Africa Frontiers Portfolio has generated an exceptional annualised out-performance of 11.5% (gross of fees) of its benchmark since inception in October 2008.

Over the year, we were recognised by The Principal Officers' Association in South Africa at the Imbasa Yegolide Awards, where we were named Equities Manager of the Year (for the fourth consecutive year)

and Balanced Manager of the Year. In addition, our funds received a total of five awards at the Africa Asset Management Performance Awards (full details are shown on page 12).

## CLIENT-CENTRIC FOCUS AND PRODUCT DEVELOPMENT

Earning our clients trust is achieved through consistent delivery on what we promise. We encourage open and honest dialogue with clients about our products. We explain what the products do and how they behave in certain market conditions. This is vital to ensuring that we assist clients to achieve their stated investment objectives. As part of this product understanding we also create opportunities to share our insights and perspectives with clients. An example of this saw us host three topical conferences to an audience of approximately 1 000 clients, either by attendance in the major centres of Johannesburg or Cape Town, or by means of our webcast facility.

In our aim to provide investors with products that satisfy their long-term return expectations, we plan to add a global equity fund and a global frontiers fund to our existing international fund range.

Our SA equity, balanced and absolute return mandates remain closed to new clients, while we continue to accept new investments into our fixed interest and international funds.

## RETAIL

Coronation remains the second largest manager of long-term retail assets in the country, with a market share of 13.6% (September 2012: 11.2%).

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## CHIEF EXECUTIVE OFFICER'S REVIEW CONTINUED

The strength of our brand and consistently above-average investment performance saw our unit trust business attract 23% of the record R169 billion industry flows into long-term funds. In line with the overall industry trend, the primary cash flow recipients were our flagship multi-asset funds. These funds provide long-term growth for pre-retirement savings primarily, and income and growth for post-retirement investors. We have also gained further market share in the foreign, domestic equity and managed income categories.

### INVESTMENT PERFORMANCE

We were named Raging Bull Best Domestic Management Company of the Year and, for the third consecutive year, Morningstar Best Large Fund House. These industry accolades are supported by the first quartile rankings achieved across all domestic and international flagship funds in their respective Morningstar categories since launch to 30 September 2013. Highlights include:

- Coronation Top 20, the no. 1 equity fund since inception in October 2000, which has outperformed its benchmark by a strong 6.5% p.a. (after fees) since launch.
- Coronation Balanced Plus, the no. 1 balanced fund in South Africa since launch in April 1996, which has outperformed its average competitor by 2.8% p.a. (after fees).
- Coronation Capital Plus, which has delivered a return ahead of inflation of 8.6% p.a. (after fees) since inception in July 2001.
- Coronation Balanced Defensive, the no. 1 conservative fund in South Africa since inception in February 2007, which has outperformed inflation by 4.9% p.a. (after fees).

- Coronation Strategic Income, which has outperformed cash by on average 3.0% p.a. (after fees) since inception in July 2001.
- Coronation Global Opportunities [ZAR] Feeder (formerly Coronation World Equity [ZAR]), which has outperformed the global equity market by 1.9% p.a. (after fees) since launch in August 1997.

### CLIENT-CENTRIC FOCUS AND PRODUCT DEVELOPMENT

Communicating and providing appropriate guidance to clients is an integral part of our business. This is supported by our client charter – a public statement of intent confirming our commitment to always put clients first. Coronation has no affiliated distribution channels and therefore dissemination of our funds relies largely on the unbiased advice given to investors by the professional advisor market. We presently conduct business with approximately 5 000 independent financial advisors and 2 000 third-party tied agents.

Product education therefore forms an essential component in our communication mix. Our presentation series, *Conversations with Coronation*, runs five times a year in nine separate locations across the country on themes relevant to advisors. In addition, our information portal *coroconnect* and quarterly *Corospondent* newsletter are valuable and widely used vehicles. We are pleased to report that our 2013 annual independent financial advisor survey showed positive trends, with over 90% of advisors expressing a good understanding of our fund positioning. Advisors also expressed higher ratings across all Coronation mandate types when compared to the 2012 survey.



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A positive indicator of our gaining greater brand recognition is the significant growth experienced in the number of direct account holders. In line with this growth, call activity in the client service centre increased by 40% over the year. Pleasingly, our annual gauge of client satisfaction levels saw us remain steady at 93%.

Online is trending as a preferred information and transactional tool for many investors. Without compromising security standards we have launched a seamless and simple transaction process for new investors and are currently poised to enhance the user experience of our client online service facility for existing investors.

With the aim of increasing operational efficiencies and reducing client costs, we received investor approval to convert our rand-denominated international funds to feeder funds of their offshore-domiciled sibling funds in August. The process involved the Coronation World Equity [ZAR] Fund of Funds, Coronation Global Managed [ZAR] Fund and Coronation Global Capital Plus [ZAR] Fund. In addition, the Coronation Global Strategic USD Income [ZAR] Fund was added to the range.

Other product actions included the streamlining of our domestic fund range by combining funds with overlapping mandates. Client approval was received for the amalgamation of Coronation Absolute with Coronation Market Plus, and Coronation SA Capital Plus with Coronation Capital Plus on 30 September 2013.

## PROSPECTS

Our recent past has been an exceptional period for the business and our clients. Global markets have provided support with solid returns and the JSE has reached new highs. As we head into the new financial year, we remain of the view that these good market outcomes should be interpreted as front-loading of long-term returns. It is not a revision of our long-term return expectations. We therefore caution that we expect market returns to decline.

We will continue to focus on building a sustainable business for the long-term benefits of all our stakeholders through the cycle.

## CORPORATE GOVERNANCE

Coronation maintains a balanced approach to effective corporate governance. An evaluation of King III has been undertaken by management. (Please refer to our website [www.coronation.com](http://www.coronation.com) for the detail of our King III evaluation.) The directors are of the opinion that Coronation has applied the principles of the Code of Corporate Practices and Conduct during the 2013 financial year as set out in King III. In the instances where the business has elected not to apply certain aspects, the board has provided explanations as below.

It is recommended that the group's remuneration policy is proposed to shareholders for a non-binding advisory vote and that the remuneration of the senior executives be disclosed.

The remuneration policy established since listing and included in the statutory corporate documentation of the group, which is linked to performance, has not changed, is widely understood and communicated. The remuneration structure is provided in detail on page 46.

Sustainability reporting and disclosure should be independently assured.

Given the elements of measuring sustainability, the board does not consider independent assurance to be necessary.

### BOARD OF DIRECTORS

Coronation's unitary board as at 30 September 2013, comprised two executive directors and four independent non-executive directors. The chairman is an independent non-executive director. The roles of chairman and chief executive officer have been specifically separated. The non-executive directors have the integrity, skills and experience to provide independent insight and value at board meetings. Profiles of the directors are detailed on pages 20 and 21.

All directors have unlimited access to the services of the company secretary, who in turn has access to appropriate resources in the provision of this support. All directors are

also entitled to seek independent professional advice with regard to the affairs of the company.

Ms Lee-Anne Parenzee was appointed as company secretary by the board in accordance with the Companies Act, No. 71 of 2008, as amended, with effect 8 November 2012. The board is satisfied with her performance, and is confident in her ability to meet the responsibilities of the position.

Non-executive directors receive fees for their services as directors of the board and for services as members of committees. These fees were determined and agreed by the board on the recommendation of the remuneration and nominations committee (refer page 47).

The board's main responsibility is to ensure the implementation of strategy to create sustainable value for all its stakeholders. The board is accountable to shareholders and is responsible for managing relationships with the various stakeholders. In fulfilling its primary responsibility, the board is aware of the importance of achieving economic performance while conforming to governance principles. The board of directors is constituted with predominantly independent non-executive directors in compliance with the recommendations of King III.

The board is responsible for appointing the chief executive officer, guiding and reviewing corporate strategy, considering major initiatives and for risk policy. Senior management is accountable to the board for the development and implementation of strategy and policies. The board regularly reviews group performance, matters of strategic concern and any other matters it regards as material.

The board is also responsible for nominating and recommending to shareholders all new directors for appointment, or re-appointment in the case of existing directors. In line with company policy at least one-third of the directors are required to retire from their appointment each year. The directors who are required to retire are those who have been in office the longest since their last election or appointment. The retiring directors may make themselves eligible for re-election. The board has full

and effective control of the group, which is exercised through senior management and the subsidiary boards (refer page 60 for details regarding those directors who are retiring this year).

The board meets a minimum of four times a year, with additional meetings as required. Material decisions may be taken between meetings by way of written resolution, as provided for in the MOI. The non-executive directors are provided with comprehensive information on the business and are updated on business developments between board meetings. The board met on six occasions during the 2013 financial year.

An appraisal by the board and its committees has been concluded during the financial year with reference to the respective charters. The board and its committees are satisfied with the performance of its members.

The composition of the board and its three committees, the audit and risk committee, the social, ethics and transformation committee and the remuneration and nominations committee as at 30 September 2013, are detailed below. All board committee charters are available for review on our website ([www.coronation.com](http://www.coronation.com)).

	Board of directors	Audit and risk committee	Social, ethics and transformation committee	Remuneration and nominations committee
Shams Pather <sup>1</sup>	Chairman	Member		Chairman
Anton Pillay <sup>2</sup>	CEO		Member	
Judith February <sup>1</sup>	Director		Chairman	
Jock McKenzie <sup>1</sup>	Director	Member		Member
Alexandra Watson <sup>1</sup>	Director	Chairman	Member	
John Snalam <sup>2</sup>	Director			
Llewellyn Smith <sup>3</sup>			Member	
Heidi Kornmuller <sup>4</sup>			Member	

<sup>1</sup> Independent non-executive

<sup>2</sup> Executive

<sup>3</sup> Chief operating officer

<sup>4</sup> Head of human resources

Attendances at the meetings of the board and the committees as at 30 September 2013 were as follows:

	Board of directors	Audit and risk committee	Social, ethics and transformation committee	Remuneration and nominations committee
Shams Pather	100%	100%		100%
Hugo Nelson	100%*			
Anton Pillay	100%		100%	
Judith February	100%		100%	
Jock McKenzie	100%	100%		100%
Alexandra Watson	100%	100%	100%	
John Snalam	100%			
Llewellyn Smith			100%	
Heidi Kornmuller			100%	

\* Full attendance prior to his departure in February 2013

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## CORPORATE GOVERNANCE CONTINUED

### AUDIT AND RISK COMMITTEE

The audit and risk committee is chaired by an independent non-executive director and consists of a further two independent non-executive directors, one of whom is the chairman of the board which is in accordance with the provisions stipulated in the JSE rules.

The committee meets at least three times a year, in May, August and November, as well as on an ad hoc basis if required. The committee met on three occasions during the 2013 financial year.

The board has established the audit and risk committee to assist in the oversight and review of the financial, operational and risk management of the group's activities, including information technology risks. The audit and risk committee is responsible for ensuring the integrity of the financial reporting process, the risk management system, internal reporting and controls, management of strategic and major financial and operational risks, and the external audit process, based on sound principles of accountability, transparency and responsibility.

The audit and risk committee discharges its responsibilities on behalf of the group and all subsidiaries. It serves in an advisory capacity to the board and assists the directors in discharging their duties relating to the safeguarding of assets, the operation of adequate systems, risk management and internal controls, the review of financial information and the preparation of the annual financial statements, as well as their oversight responsibility for the integrated annual report. This includes satisfying the board that adequate internal, operating and financial controls are in place and that material risks have been identified and are being effectively managed and monitored. In addition to the above, the audit and risk committee also has its own statutory responsibilities.

The committee is guided by an audit committee charter (available on our website [www.coronation.com](http://www.coronation.com)) to ensure the integrity of the audit process and financial reporting, and to maintain a sound risk management and internal control system. In fulfilling its responsibility of assisting the board in discharging its duty to shareholders, the following are considered to be the main responsibilities of the committee:

- Monitoring the integrity of financial reporting by reviewing and providing guidance on accounting principles and policies adopted, reporting and disclosure as well as the examination of supporting documentation.
- Receiving and responding to any complaint relating to the accounting practices and internal audit of the group, the content or auditing of its financial statements, or any related matter.
- Setting out the nature, role, responsibility and authority of the risk management function within the group and outlining the scope of risk management work.
- Reviewing and assessing the effectiveness of the risk control systems and ensuring that the risk policies and strategies are effectively managed.
- Ensuring that management's processes and procedures are adequate to identify, assess, manage and monitor the group's risks.
- Reviewing the group internal audit, compliance and risk management plans, reports and findings.
- Reviewing and approving external audit plans, findings and reports.
- Assessing the performance and approving the remuneration of the external auditors.
- Recommending the appointment of the external auditor and overseeing the external audit process.

- Ensuring compliance with the applicable legislation and the requirements of regulatory authorities.
- Determining the nature and extent of any non-audit services which the auditor may provide to the company.
- Providing any pre-approval of any proposed contract with the auditor for the provision of non-audit services to the company.
- Acting as liaison between the external auditors and the board.

Management is accountable to the audit and risk committee for ensuring that the risk management process is incorporated into the day-to-day activities of the business, which includes design, implementation and monitoring thereof. The chairman of the committee reports on the status of the external and internal audit, compliance and risk management functions at the meetings of the board of directors.

The internal and external auditors, as well as the head of risk and compliance, have unrestricted access to the chairman of the committee, which ensures that their independence is not compromised.

The audit and risk committee is satisfied with the expertise and adequacy of resources within the finance function, as well as with the performance and competency of the chief financial officer, John Snalam. The committee is of the opinion that he has the appropriate expertise and experience to meet his responsibilities in that position, as required by the JSE. In making these assessments, feedback was obtained from both external and internal audit. Based on the processes and assurances obtained, the committee is of the view that the accounting practices are effective.

The committee is further satisfied with the performance and competency of the risk officer, and that of the committee secretary.

During the year, the committee approved the external auditor's terms of engagement and scope of work and also reviewed the internal auditor's coverage plan aimed at providing assurance in respect of the various levels of operation. The committee received regular internal and external audit reports on the results of the audits conducted.

Based on the recommendations of King III, the board reviewed the performance of the audit and risk committee and is of the opinion that the committee has effectively discharged its responsibilities, as contained in its terms of reference, for the year under review.

## REMUNERATION AND NOMINATIONS COMMITTEE

The remuneration and nominations committee is chaired by an independent non-executive director, which is consistent with the recommendations of King III, plus one other independent non-executive director. In compliance with King III, the chief executive officer is not a member of the committee but attends all meetings by invitation.

The committee meets three times a year, in April, September and October, as well as on an ad hoc basis if required. The committee met on three occasions during the 2013 financial year.

The committee's main aim is to ensure that the company recruits and retains the appropriate calibre of management. It approves the company's remuneration philosophy and policies and ensures that directors, senior executives and other employees are appropriately rewarded for their contribution to the performance of the business, with specific focus on incentives and longer-term remuneration structures. Local and international remuneration levels and trends are taken into consideration. For further details refer to page 46.

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## CORPORATE GOVERNANCE CONTINUED

### SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE

The social, ethics and transformation committee is chaired by an independent non-executive director and consists of one other independent non-executive director and one executive director. The committee met on two occasions during the 2013 financial year.

In line with the company's vision and corporate governance requirements, the objectives of the committee are to ensure that high ethical standards (code of ethics) are applied in all areas of the business, as well as to review and approve the policy, strategy and structure for managing transformation and social issues in the company.

The committee oversees the monitoring, assessment and measurement of the company's activities in the following key areas, relating to transformation, good corporate citizenship and social responsibility, the environment, consumer relationships and engagement with stakeholders:

- Code of ethics and conduct
- Environmental, social and governance
- Transformation
- Human resource development
- Enterprise development
- Corporate social investment

The committee also fulfils a monitoring role of the company's labour and employment practices. In discharging these responsibilities it considers the legal and regulatory frameworks, industry scorecards and the company's vision.

The committee relies on management for the implementation of strategies and initiatives, of which the primary contributors are the executive committee, transformation task team, employment equity and corporate social investment committees.

The committee identifies business areas where transformation will be effected. It also monitors all transformation strategies and measures their respective impact. The committee reviews the results of any surveys undertaken and assesses management's response to transformation initiatives. Ultimately it ensures that true transformation is taking place within the business with regard to recruitment, staff retention, work environment and career development.

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# RISK MANAGEMENT AND COMPLIANCE

## RISK MANAGEMENT

Risk is an inherent part of any business. Risk management is a multi-faceted process which involves independent monitoring, frequent communication, the application of judgement and detailed knowledge of specialised products and markets. The risk management process involves the identification, assessment and prioritisation of risks that may impact the achievement of strategic and business objectives. The management, monitoring and reporting of these risks ensure that resources are used to minimise the probability of negative events or to maximise the realisation of opportunities. The business recognises that in a complex financial services environment, risk management processes and strategies are evolutionary and subject to ongoing review and modifications taking into account risk appetite, risk tolerance and risk resilience of the business.

The board is ultimately responsible for ensuring that risks are managed effectively. The board sets the risk appetite, which is the level of risk that it is willing to take in order to deliver its strategic objectives. The risk appetite is aligned with the risk and business strategy and is intended to be the link between business strategy and the risk management framework by bringing strategic context to identified risks.

Risks are evaluated using the approved risk measurement methodology as defined in the risk management framework. The business has determined a risk tolerance level above which risks are immediately addressed and mitigating controls implemented. This process of risk evaluation determines the strategy of managing the identified risk, ranking and determining whether the risk should be terminated, tolerated or managed.

The board has delegated responsibility for the implementation of the risk management framework to senior management in the operating companies. Senior management takes an active role in the risk management process and is responsible for the maintenance of, and ultimately compliance with, the risk management framework. This function, which is subject to review by the audit and risk committee, is responsible for identifying the risks faced by the company, ensuring that the

controls established to manage those risks are effective, and for monitoring their application. The risk management function is also responsible for ensuring that consistent policies and procedures are established for measuring, managing and reporting risk. The board is kept informed through interaction between the executive members of the board and senior managers responsible for risk management. More structured feedback at board meetings is provided by the chairman of the audit and risk committee. In addition, the responsibilities of the audit and risk committee include independent monitoring of risk management and compliance.

Nothing has come to the attention of the board to indicate that there has been any material breakdown in the risk management function, processes or systems during the year under review.

Coronation's risk management objectives are to:

- Create awareness and understanding of risks at all levels of the organisation by training employees and by management providing guidance.
- Integrate concerns for risk into the organisation's daily decision-making and implementation processes.
- Identify and manage risks within the risk appetite and risk tolerance parameters, which coincide with the board's strategy and objectives.
- Improve the group's ability to prevent, detect, correct, escalate and respond to critical risk issues by executing risk management plans, recommendations and monitoring effectively.
- Comply with appropriate risk management practices in terms of corporate governance guidelines and King III.

The business has identified various risks as being of particular significance. Coronation has developed, implemented and continuously improves the risk management framework to ensure that the management of risk is integrated into the organisation's overall corporate governance structures, strategy, planning, reporting processes, policies, values and culture.

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## RISK MANAGEMENT AND COMPLIANCE CONTINUED

### RISK MANAGEMENT MATRIX

Outlined below are the major risk types facing the business, along with the relevant mitigating controls which have been implemented:

RISK	DEFINITION	MANAGEMENT AND MITIGATION
Credit and counterparty risk	The risk of loss resulting from a counterparty's inability to meet its obligations in terms of existing contract, or failure to service its debt timeously.	<ul style="list-style-type: none"><li>■ The business has a credit and counterparty risk committee, chaired by an independent chairman that is responsible for credit policy, reviewing credit risk limits and authorisations, reviewing concentrations of credit risk and making decisions in cases requiring the highest level of authority.</li><li>■ A dedicated credit analyst utilises conservative credit analysis methodologies together with proprietary credit models. Exposure to high-risk counterparties and excessive exposure to any single counterparty, rating class or product is avoided.</li><li>■ Coronation manages and controls settlement risk primarily by limiting authorised counterparties to quality entities. A thorough due diligence is performed prior to appointing a new counterparty.</li><li>■ Periodic monitoring of counterparty relationships takes place, which includes monitoring of adherence to service level agreements, financial condition, and general control environment of the counterparty.</li><li>■ Selected service providers are reviewed on an annual basis.</li></ul>
Market risk	The risk that the value of Coronation's client positions will be adversely affected by movements in equity and interest rate markets, currency exchange rates and commodity prices.	<ul style="list-style-type: none"><li>■ The business manages market risk through its structured investment process.</li></ul>



RISK	DEFINITION	MANAGEMENT AND MITIGATION
Liquidity risk	The risk that Coronation will not be able to meet its payment obligations as they fall due, or that the group may be forced to liquidate its positions under adverse conditions to meet that obligation.	<ul style="list-style-type: none"> <li>■ Coronation has controls and processes in place to ensure that future liquidity requirements are met. Forecasting and management accounts are conducted on a monthly basis to determine liquidity requirements.</li> </ul>
Operational risk	The risk arising from the execution of the company's business functions in terms of people, systems and processes.	<ul style="list-style-type: none"> <li>■ A bimonthly operations committee meeting addresses all matters, actions and duties.</li> <li>■ Operational processes are regularly evaluated, assessed and managed in the context of their likelihood of occurrence and potential impact on the business.</li> <li>■ A whistle-blowing programme is in place to anonymously report dishonest and unethical practices within or impacting the business.</li> </ul>
Reputational risk	The risk that an action, event or transaction may compromise the Coronation brand.	<ul style="list-style-type: none"> <li>■ The business operates with a philosophy that seeks to protect and enhance the brand, its reputation and its ability to conduct business with the highest ethical standards. The business recognises the importance of its reputation and devotes considerable effort to managing all aspects of that reputation.</li> <li>■ The group has stringent personal account investment rules and complies with the General Code of Conduct for Financial Services Providers and Representatives.</li> </ul>
Human resource risk	The risk of key staff departures.	<ul style="list-style-type: none"> <li>■ Coronation provides personal and career development.</li> <li>■ As a people-centred business, staff ownership is part of the culture.</li> <li>■ The remuneration policy is designed to attract and retain skills and talent.</li> <li>■ The group has an appropriate succession plan in place.</li> </ul>

## RISK MANAGEMENT AND COMPLIANCE CONTINUED

RISK	DEFINITION	MANAGEMENT AND MITIGATION
Compliance, regulatory and legal risk	The risk of non-adherence to regulation and legislation.	<ul style="list-style-type: none"> <li>■ Coronation has in-house legal advisors and a compliance department that monitor and assess the impact of legislation, regulatory rules, supervisory requirements and industry codes. This ensures compliance with current and pending legislation. The group may, where required, make use of external experts.</li> <li>■ The compliance officers and legal advisors are members of appropriate bodies and keep abreast of all industry, legislative and regulatory changes.</li> <li>■ The compliance officers have direct access to the chairman of the audit and risk committee.</li> <li>■ External contractors to identify and assist on international regulations.</li> <li>■ Proactive engagement with policymakers, regulators, intermediaries and consumers on policy, regulatory and other important issues of common concern through staff participation in industry body ASISA.</li> </ul>
New business risk	The risk associated with new business ventures and products.	<ul style="list-style-type: none"> <li>■ The business launches new innovative products to meet the changing needs of investors.</li> <li>■ All product development commences with detailed research to assess viability, followed by an exhaustive and strict internal authorisation and approval process.</li> </ul>
Information technology (IT) risk	The risk of IT disruption caused by an unforeseen event or disaster.	<ul style="list-style-type: none"> <li>■ Coronation has a dedicated IT department that, together with internal audit, assesses the risk environment for the implementation of world-class IT security.</li> <li>■ Software and hardware throughout the organisation is updated and tested in terms of the disaster recovery plan.</li> <li>■ An IT steering committee scrutinises the threats and opportunities relating to IT.</li> </ul>

RISK	DEFINITION	MANAGEMENT AND MITIGATION
Disaster recovery and business continuity	The risk of the business being unable to operate due to an unforeseen event or disaster.	<ul style="list-style-type: none"> <li>■ A comprehensive business continuity plan has been developed and tested. The plan provides guidance to staff for the complete restoration of the core business functions and IT facilities at head office.</li> <li>■ Our comprehensive disaster recovery procedure incorporates a full backup of all electronic files daily, which are stored off-site.</li> <li>■ In the event of a disaster, Coronation has an alternative facility where key management and staff are able to resume the organisation's most critical business functions.</li> </ul>
Tax risk	The threat that an event or action will adversely affect the group's ability to service its tax obligations.	<ul style="list-style-type: none"> <li>■ The group's tax philosophy is to prudently manage tax affairs in a manner that will protect its reputation with all stakeholders. Independent tax specialists are employed in an advisory capacity (as required) to perform reviews of tax risks, risk mitigation and monitoring.</li> </ul>

## INTERNAL AUDIT AND INTERNAL CONTROLS

The audit and risk committee supports the benefits of an internal audit function, and engages the services of auditing firm Deloitte to fulfil the internal audit functions at the relevant subsidiaries. Deloitte provides the appropriate independence and objectivity to assist the board in discharging its responsibilities.

The internal audit function performs an independent appraisal with the full co-operation of the board and management. Its objective is to assist members of executive management in the effective execution of their responsibilities through an examination and evaluation of the subsidiaries' activities, business risks and systems of internal control. Any material control weaknesses are brought to the attention of management and the audit and risk committee. The internal audit function does not assume the function of risk management but provides an

independent assessment as to the effectiveness of the internal controls.

At the start of each year an internal audit plan is developed and presented to the audit and risk committee for approval. The plan is based on a formal risk assessment together with issues identified by management, the internal auditors and the audit and risk committee. Planning is of a continuous nature to identify new risk areas as the business evolves. Consultation takes place between the internal and external auditors during the year to ensure that all identified financial, operational and compliance controls are appropriately covered.

Internal audit follows an approved risk-based audit approach to planning the audit. Nothing has come to the attention of the audit and risk committee to indicate that there has been any material breakdown in the functioning, procedures or systems during the year under review.

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## RISK MANAGEMENT AND COMPLIANCE CONTINUED

### COMPLIANCE

A compliance and risk function exists to provide assurance in respect of compliance with applicable laws, regulations and supervisory requirements. The regulatory environment has continued to become increasingly more stringent, impacting both the business and its clients.

Coronation has a fiduciary responsibility to always act in the best interests of its clients.

The business recognises that it is accountable to all its stakeholders and is committed to the highest standards of ethics, integrity and fair dealing in conducting its business activities. It is committed to complying with both the letter and the spirit of applicable requirements and will always endeavour to act with due skill, care and diligence.

A global risk and compliance function was introduced during the course of the financial year to provide guidance to the board in terms of global best practice and regulatory compliance requirements. This is in recognition of the increase in our cross-border activities and the need to centrally manage global compliance and risk.

### CODE OF CONDUCT AND ETHICS MANAGEMENT

We encourage independence, responsibility and performance from all staff. Our philosophy is to conduct our affairs with honesty, integrity, diligence and professionalism. All staff are expected to comply with Coronation's code of ethics and conduct policy at all times. The board confirms that systems and procedures have been implemented to entrench the values and ethics laid down in the code of ethics and conduct policy, and to monitor compliance with the code. All new staff members are required to read, acknowledge and agree to adhere to the code of ethics and conduct policy as part of their induction. Thereafter, staff are required to declare

their adherence on a semi-annual basis. Within these parameters, staff have the freedom and discretion to get the job done. We believe this is a major part of the success that we enjoy.

We all, directors and staff alike, aim to:

- Maintain a healthy environment in which teamwork and co-operation thrive, and treat each other with mutual respect, dignity and courtesy.
- Conduct business in a professional manner and with the highest standards of conduct and business ethics.
- Commit ourselves to improving productivity, efficiency and quality.
- Respect the confidentiality of corporate and client information.
- Not place ourselves in a position where our personal interests could conflict with our duties to the organisation and to our clients.
- Encourage a productive environment in which we are all able to achieve our full potential without fear of victimisation, harassment or abuse.

Coronation is committed to conducting healthy business practices with honesty and integrity, which will not only ensure a stable employment environment but also ensure the continued future success of the group. For this reason, Coronation has subscribed to a service that enables all stakeholders to report anonymously on dishonest and unethical practices within or impacting the business. This independent service provider monitors the incidents reported, and provides monthly feedback directly to the chairman of the audit and risk committee, who is an independent non-executive director.

No material incidents were reported during the 2013 financial year.

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## CONFLICT OF INTEREST

Coronation's conflict of interest management policy complies with the General Code of Conduct for Authorised Financial Services Providers and Representatives published in terms of the Financial Advisory and Intermediary Services Act, No. 37 of 2002.

The policy, which applies to all permanent and temporary employees, directors of Coronation and all group companies, is available on our company website.

## DIRECTOR AND COMPANY SECRETARY INVESTMENTS IN COMPANY SHARES

Coronation and its subsidiaries comply with the continuing obligations of the Listings Requirements of the JSE as they apply to investing in company shares by the directors and the company secretary.

The directors and the company secretary are required to obtain prior approval from the chairman for all dealings in the company's shares (including off-market transactions). For the chairman's own dealings, prior approval must be obtained from an independent non-executive director.

Once prior approval has been obtained, the company secretary files a written record of such approval and, upon execution of the trade, ensures that disclosure is made on SENS in terms of the Listings Requirements of the JSE.

These obligations apply to company shares held directly, indirectly, beneficially or non-beneficially and also apply to:

- Any associate of the director or company secretary as defined in the Listings Requirements of the JSE.
- Any independent entity, in terms of which any director, the company secretary or their associates may derive any beneficial or non-beneficial interest, either now or in the future.

## PERSONAL ACCOUNT INVESTMENTS

The company has a stringent personal account investment policy and rules for staff. All staff trades require pre-approval, and client orders are always prioritised. Personal account trades are not permitted if there are open client orders in the order book, irrespective of any price limits at which these orders may have been placed.

In terms of the company's closed period policy, all directors and staff are prohibited from dealing in company shares from the date such a period is declared prior to the interim and financial year-end until the announcement of the interim or final results on SENS, and during times when a cautionary announcement is made.

Staff are required to hold personal account investments for a period of 12 months. All staff are required to process their personal account investments via the company's dealing desk, provide broker contract notes to the company, declare their compliance with the company's personal account investment policy biannually, and provide broker statements biannually.

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## BUSINESS SUSTAINABILITY

As a good corporate citizen, we recognise our direct footprint in terms of the environment and our social impact on the communities in which we operate. As an investment manager we also recognise our indirect footprint with regard to the companies in which we invest and our level of shareholder activism.

Coronation believes that integrating economic growth with respect to the environment is good business practice. We are committed to the principles of sustainable development, which require the incorporation of all environmental, social and governance (ESG) factors into our investment process in a manner that is fully consistent with the long-term investment horizon of our clients. As a signatory to the United Nations' Principles for Responsible Investment since 2007, we consider any factor that may materially affect the sustainable long-term performance of an investment.

Coronation fully supports the Code for Responsible Investing in South Africa (CRISA). We endorse the objectives that underpin the Financial Reporting Council (FRC) UK Stewardship Code and comply, where appropriate, with the code in respect of the delivery of investment management services.

Coronation recognises that the sustainability of the business lies in our ability to produce strong investment performance over the long term. Fundamental to achieving this is our ability to retain investment professionals and key staff members. For more detail, please refer to key focus areas and performance on page 15.

### INVESTMENT DECISION-MAKING PROCESS

Coronation is a long-term, valuation-driven investment house. Our investment philosophy is deeply engrained in our culture and impacts every decision made at both an investment and business level.

In valuing businesses, we incorporate the sustainability of a business, reflected in the discount rate applied to its cash flows. As part of the investment process, Coronation will consider a company's performance regarding triple

bottom-line reporting (profit, people, planet), before deciding to invest. An in-depth analysis of the company is performed by the investment analyst, which includes sound quantitative and qualitative analysis of all significant ESG-related issues. In our ratings of the businesses we analyse, we therefore implicitly build in the risks relating to the levels of governance and environmental and social obligations. It does not, however, automatically exclude investments in companies that perform poorly on this front but does force us to carefully consider this as part of the decision. In practice, a business with an ambiguous ESG profile requires a much higher hurdle rate to justify its inclusion.

Coronation is committed to the principles of good corporate governance and has a fiduciary duty to its clients to ensure, as far as possible, that the companies in which it invests on behalf of its clients are also committed to adhering to these same principles. Coronation must determine whether the long-term interests of its clients would be best served by avoiding positions in companies that are considered to be poorly governed, or to become more actively involved in the company through discussions with its board of directors, making its views public, exercising its proxy voting right or through any other means in order to enhance shareholder value.

We take a firm view on all corporate governance issues, which are carefully considered and evaluated before being taken into our investment valuation process. Should a governance concern exist in a potential investment, this is fully reflected in our valuation of a company. Where the governance concern arises in an existing investment, appropriate action is taken. This would initially involve engaging with the board of directors. However, should the issue not be resolved and should we consider that further action is required we will engage with regulators, other shareholders, media and other appropriate parties to ensure our concerns are known and fully understood. A recent example is our engagement with GlaxoSmithKline (GSK), where the UK parent wanted to vote its own shares in favour of a transaction to increase its holding in GSK Nigeria that would have negatively impacted minority shareholders.

Coronation is an active shareholder in terms of advocating change, in an extreme event, to boards of directors where a board's actions are not in the best interests of its shareholders. As part of the ongoing investment due diligence process, Coronation meets with company management and conducts site and country visits throughout the period in which the company forms part of our investable universe. We engage with business management in instances where we believe management is losing sight of its core deliverables, relating to the long-term sustainability of the company or eroding shareholder value. Detailed records of all such engagements are maintained.

In terms of proxy voting, we comply with strict internal guidelines and maintain detailed records of all voting – a summary of which is detailed in the table below. Ancillary to the guidelines, investment analysts apply considered judgement to each proxy vote in consultation with the chief investment officer. Wherever possible, Coronation will timeously raise its concerns with management so as to afford management the opportunity to address the concerns ahead of voting. A full record of all proxy voting is available on our website ([www.coronation.com](http://www.coronation.com)).

As a minority shareholder, Coronation also recognises that there may be instances where collaboration with government, regulators or other institutional investors is required.

The table below represents a log of our proxy voting decisions over the past three years:

	2013	2012	2011
Total number of meetings*	223	221	156
Number of resolutions	2 898	2 918	1 642
Voted in favour	2 702	2 721	1 500
Voted against	191	195	142
Abstained from voting	5	2	0

\* AGMs, general and extraordinary general meetings

Coronation proactively engages with management on all major corporate issues and maintains detailed records of all ESG issues.

## ENVIRONMENTAL

In conducting our business activities we do not utilise the capitals of manufacturing and natural. We do, however, recognise our corporate responsibilities towards both the environment and the community in its various roles as investor, employer and consumer. All direct and indirect environmental impacts are identified and managed in a responsible manner. We have taken steps to reduce our carbon footprint through internal measures and in how we communicate with clients. We limit air travel and have introduced video-conferencing facilities in our Cape Town, Johannesburg, Dublin and London offices. We have also implemented the 'greening' of our workspace, which is sensitive to natural light and motion through the UV treatment of windows and efficient use of lighting. All used paper and toner cartridges are recycled. Where appropriate, we have introduced e-reporting to clients, which has significantly reduced paper use.

## HUMAN CAPITAL DEVELOPMENT

Our people are our greatest asset. The smarter and more diverse we are as a business, the greater is our competitive advantage. Our aim is to attract the best talent, build and retain an exceptional team of highly motivated and productive people. Succession planning is an essential component in building a long-term sustainable business.

## ATTRACT, MOTIVATE AND RETAIN

We continue to employ talented black individuals and enrich our already diverse staff complement, currently 55% black and 45% white. Where we encounter a shortage of relevant industry experience among previously disadvantaged individuals, we recruit on the basis of an individual's potential to excel. We are proud of the success we have achieved in hiring suitably qualified

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## BUSINESS SUSTAINABILITY CONTINUED

candidates who may not have all the required experience, but who have great potential. We also have a bursary programme that identifies previously disadvantaged learners from designated groups with academic potential who want to study. During their studies, students are offered mentorship from within the business and vacation work as preparation for the working world. The intention is that once the bursary students graduate, they would be employed by Coronation.

### INTEGRATION

All new employees attend a one-day induction programme presented by senior management that addresses all aspects of the business and culture. A self-driven online evolution of this programme that facilitates better interrogation and absorption of information is to be launched in 2014.

Within the first six months of employment, new starters participate in our group coaching programme. This helps with integration as part of a wider team and provides a formalised support structure. All new employees are required to familiarise themselves with Coronation's ethics, policies, strategy and business information to facilitate their integration.

Managers are responsible for ensuring that all staff receive the necessary training required for them to be successful in their roles. This can be formal or on-the-job training.

The human resources team conducts follow-up discussions with all new starters to ensure their successful integration.

### TRANSFORMATION AND SKILLS DEVELOPMENT

Transformation and the creation of sustainable broad-based black economic empowerment (B-BBEE) is an integral part of Coronation's business strategy, with a goal to exceed the imperatives as defined in the Department of Trade and Industry's Codes of Good Practice on Black Economic Empowerment and the Financial Sector Charter. Transformation is a business

imperative which makes practical business sense, the benefits of which extend to clients, partners, shareholders, staff and the South African economy.

We believe that the effective development and transfer of skills is essential to the transformation of the local investment management industry. As such, training, mentorship and career planning play integral roles in the advancement of all staff. The Coronation Mentorship Programme enables experienced staff to mentor new employees, providing guidance on company culture and work processes as well as industry insight. We currently have a total of 21 mentors within the business, some of whom focus specifically on mentoring our bursary students. Diversity and culture workshops, which include all staff, are conducted as part of our training programme.

Teamwork, individual achievement and continuous learning are all key components of our culture. Staff are encouraged to enhance their knowledge and skills through part-time study and by attending conferences and workshops. In most instances the business provides financial assistance towards tuition fees. We continue to direct a large portion of the company's training spend to black staff. Of the total training spend for the year of R12 million, 73% was allocated to black staff. Furthermore, staff are encouraged to diversify their skills by exploring new positions and responsibilities within the business.

The Chartered Financial Analyst (CFA) is a highly coveted professional credential in our industry. A candidate who successfully completes the programme is also required to have four years of qualifying investment work experience. A significant portion of our total training spend consists of CFA workplace experience and international conferences to ensure our staff remain abreast of global trends. Other areas of training include university qualifications, short courses including regulatory and product training and softer skills training in the form of individual and group coaching, as well as mentorship. Coronation has introduced a number of two-year internships to train previously unemployed graduates and offer them workplace experience.



## B-BBEE

One of the most direct means of increasing meaningful black participation in the economy is through participation in decision-making and ownership of the company. Our chosen B-BBEE partner, the Imvula Trust (Imvula), includes all black staff. Imvula continues to create tangible benefits for its participants through annual cash distributions and the creation of net asset value.

Coronation established Imvula to facilitate its B-BBEE transaction. On 1 April 2005, Imvula acquired 10% of Coronation Investment Management (Pty) Ltd from Coronation. The acquisition consideration amounted to R148 million and was funded by the issue of redeemable preference shares to a third-party financier. This consideration was based on a price per Coronation share of R3.85. A board of trustees approves beneficiaries who will, on fulfilment of certain conditions, have an interest in the underlying shares held by Imvula. Vesting periods are over three, four and five years.

On 29 August 2012, all debt was settled and the conversion of the Imvula investment in Coronation Investment Management (Pty) Ltd to listed Coronation shares was completed on 28 February 2013.

Black representation at board level is 50% and 50% at executive management level.

## STAFF DEMOGRAPHICS

The notable success of our disciplined recruitment and selection process is reflected in our staff demographics spanning all levels of the business.

Within the South African investment team of 59 individuals 37% are black, of whom 8% are black females. As at 30 September 2013 the South African staff complement is split as follows:

Occupational levels	Male				Female				Foreign nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management	0	1	1	3	0	0	1	0	0	0	6
Senior management	1	1	0	6	0	1	0	1	0	0	10
Professionally qualified and experienced specialists and mid-management	6	15	7	46	8	12	6	24	3	0	127
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	2	14	2	4	8	27	7	14	0	0	78
Semi-skilled and discretionary decision-making	0	1	0	0	0	4	0	1	0	0	6
Unskilled and defined decision-making	0	0	0	0	0	0	0	0	0	0	0
<b>Total SA staff</b>	<b>9</b>	<b>32</b>	<b>10</b>	<b>59</b>	<b>16</b>	<b>44</b>	<b>14</b>	<b>40</b>	<b>3</b>	<b>0</b>	<b>227</b>

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

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## BUSINESS SUSTAINABILITY CONTINUED

The group's philosophy is to remunerate its employees, which include executive directors, fairly in relation to the market and nature of services provided. As a meritocracy, various key performance indicators are set to ensure remuneration is performance-based. The objective of our remuneration policy is to warrant that we are able to attract, retain and encourage employees at all levels.

The remuneration and nominations committee reviews all staff salaries annually. An individual's total remuneration reflects relative skill, experience and performance. Base pay is set at levels which are competitive with the market to enable the group to attract the right calibre of people. Annual increases in base pay are determined with reference to the scope of the employee's role, competence and performance as well as projected inflation. In addition to base salaries, 30% of annual group pre-tax profit is allocated to the bonus pool. The bonus pool is utilised to incentivise and retain staff in accordance with their performance and contribution to the business.

Payments from the bonus pool take the form of cash bonuses and a significant proportion is contributed to the Coronation Bonus Pool Trust (BPT). The BPT was established in 2006 to house portions of the annual bonus pool utilised for long-term incentives on behalf of its beneficiaries, who only comprise the staff of Coronation at time of allocations.

The BPT is a fully independent trust, with an independent board of trustees. The trustees take guidance from Coronation's remuneration and nominations committee, regarding allocations to beneficiaries and investments made on behalf of beneficiaries.

The purpose of the BPT is to facilitate a long-term element for a significant portion of the bonus pool. It does this through a vesting mechanism which defers payments allocated to its beneficiaries for up to seven years. This represents a fundamental cornerstone to the remuneration structure and, by acting as a retention mechanism for key staff, aligns the interests of staff and other stakeholders in the business.

Coronation contributed a total of 20% of salary towards retirement funding of executive directors and employees.

The remuneration and nominations committee ensures that corporate governance and legal requirements are adhered to when existing remuneration policies are reviewed and new plans and policies are put in place. This ensures that shareholder interests are protected and that all systems and policies are in alignment with the group's risk profile.

In respect of non-executive directors, the remuneration and nominations committee proposes fees to be paid for membership of the board and its committees (refer special resolution 2 on page 61). Such fees are market-related, commensurate with the time required to execute the required duties, and are approved by the board. Approved fees are set for the year and are subject to attendance. Such remuneration is not linked to the performance of the group or its share performance.

Please refer to the corporate governance report on page 30 for further explanations regarding King III non-compliance.

## DIRECTORS' EMOLUMENTS

Payments to directors for services rendered for the year ended 30 September 2013 were as follows:

	Salary and other benefits R'000	Bonus R'000	2013 R'000	Restated 2012 R'000
<b>Executive directors</b>				
Hugo Nelson*	416	–	416	18 733
Anton Pillay	1 235	9 669	10 904	7 877
John Snalam <sup>#</sup>	1 132	1 803	2 935	–
<b>Total</b>	<b>2 783</b>	<b>11 472</b>	<b>14 255</b>	<b>26 610</b>

\* Hugo Nelson's emoluments are reflected up to the date of his resignation

<sup>#</sup> John Snalam's remuneration is reflected from the date of his appointment

Anton Pillay and John Snalam are the two prescribed officers of the group.

For non-cash emoluments refer to the share-based payments and related party notes in the audited Annual Financial Statements on our website ([www.coronation.com](http://www.coronation.com)). In addition, full details regarding the restatement of 2012 numbers are included in the directors' report, which restatement reflects directors' emoluments on an accrual basis where previously they were reflected on a cash basis.

	Basic fee R'000	Board meetings R'000	Audit and risk committee meetings R'000	Re- muneration and nominations committee meetings R'000	Social, ethics and trans- formation committee meetings R'000	Total 2013 R'000	Total 2012 R'000
<b>Non-executive directors</b>							
Shams Pather	60	210	68	90		428	413
Alexandra Watson	60	113	113		45	331	307
Judith February	60	113			60	233	237
Jock McKenzie	60	113	68	68		309	307
<b>Total</b>	<b>240</b>	<b>549</b>	<b>249</b>	<b>158</b>	<b>105</b>	<b>1 301</b>	<b>1 264</b>

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## BUSINESS SUSTAINABILITY CONTINUED



### CORPORATE SOCIAL INVESTMENT

At Coronation, corporate social investment (CSI) is all about empowering individuals and uplifting communities. Our approach establishes and contributes to sustainable programmes that will result in meaningful community and ultimately national economic and social upliftment. Our primary focus is foundation-phase literacy and numeracy.

The framework and guiding principles of all our CSI engagements are governed by a clearly defined policy aligned to our business objectives. The CSI budget is set in accordance with the guidelines as stipulated in the Financial Sector Charter (FSC), and totalled R15 million for the 2013 financial year. Of this, R4.4 million was allocated for consumer financial education.

In line with our philosophy of investing for the long term, our commitment to social interventions is no less than three years. All partner programmes report on the progress of clearly articulated objectives and desired outcomes biannually. During the year an independent company was appointed to conduct a review of all current CSI activities. The findings of the review affirmed that all our programmes are delivering against the defined goals and objectives.

The four key CSI focus areas in which we are involved are:

- Unlocking potential
- Recognising keen minds
- The Coronation Growing Entrepreneurs Programme
- Building communities

#### ■ UNLOCKING POTENTIAL

Through our involvement in projects designed to empower and develop educators, we acknowledge the critical and influential role played by teachers in the development of children. In terms of implementation, we believe that successful intervention relies on programmes that cater for the needs of both the educator and the learner.

The improvement of the quality of education in South Africa is an urgent and critical challenge. Our engagement focuses on programmes aimed at greatly improving the literacy and numeracy skills of learners at foundation phase.



Our current involvement extends to four inspiring programmes:

#### THE CORONATION READING ADVENTURE ROOMS

Established in January 2010 in collaboration with Living Through Learning, The Coronation Reading Adventure Rooms is aimed at addressing literacy at foundation phase – the greatest hindrance to a successful school career. The programme comprises a comprehensive literacy curriculum, which is aligned with the National Department of Basic Education’s Curriculum Assessment Policy Statements, and offers specialised training sessions, teacher manuals and the provision of stationery and workbooks for students.

In each of the participating schools, pre-selected classrooms are decorated to create the feeling of adventure and fantasy for the students. Over the year, two new schools were added, bringing the total to nine.

The programme, which reaches approximately 1 400 students across the entire foundation phase, recorded an impressive 75% average literacy pass rate compared to the current national literacy rate of 52%.

#### COUNTING WITH CORONATION

Research has shown that early difficulty with foundation-phase mathematical concepts has lasting and cumulative negative effects as children progress through their school career. By focusing on the first three years, learners are equipped with the skills required to achieve success in the intermediate phase.

Counting with Coronation was launched in July 2012 in the Western Cape. The programme comprises intensive foundation-phase mathematics training for teachers, which is run in collaboration with the Western Cape Primary Science Programme Trust (PSP). It also includes intensive individual classroom visits (teacher coaching and support) that are conducted during the first three terms of the school year.



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## BUSINESS SUSTAINABILITY CONTINUED

### CORONATION AND NATURAL SCIENCES

The Coronation and Natural Sciences Programme, through PSP's Cluster Schools Project, develops primary school teachers' content knowledge of the natural sciences curriculum by providing in-depth training, coaching and support for good teaching in the classroom. Emphasis is placed on appropriate practical strategies which are integrated authentically with language and mathematics to promote the learning of science.

The project works with three small clusters of 18 schools in urban townships and rural areas, and is focused on foundation and intermediate phases.

### TEACHER DEVELOPMENT

The LEAP Science and Maths Schools' Future Leaders Programme aims to create a teacher development model that addresses the severe shortage of qualified teachers in South Africa. The programme includes practical classroom training, dedicated mentoring and specialised tuition for students studying for their Bachelor of Education degree through Unisa. LEAP aims to recruit 10% of each year's matriculating learners. Currently a total of 35 students are enrolled in the programme, of whom seven are fully integrated into the teaching staff.

### ■ RECOGNISING KEEN MINDS

The youth are the future of the nation. By channelling a significant proportion of funding towards education-related initiatives, we provide learners with the supplementary tuition needed to obtain the all-important senior certificate.

This is achieved through our support of the Association for Educational Transformation's Learner Development Programme, which enables disadvantaged learners in the Western Cape to attend additional lessons in a range of key subjects. The programme aims to improve final Grade 12 results so that students may gain access to higher education through bursaries. Over the past year the programme supported over 1 800 Grade 11 and 12 learners.

The Coronation Bursary Programme, founded in 1993, provides bursaries to a number of bright young previously disadvantaged South Africans. Funding is awarded on merit and according to financial need. Where requested, bursary students are allocated a Coronation mentor to assist in the integration into university life, as well as given additional support by trained tutors. Throughout the life of the bursary contract, students have the opportunity to gain valuable practical work experience through vacation work, primarily in our Cape Town head office.

Talented candidates also have the opportunity to be financed by the Staff Bursary Fund. This is a fund created in 2007 through voluntary donations made by staff, where the only obligation placed on the selected students is to pass their chosen course of study.

### ■ THE CORONATION GROWING ENTREPRENEURS PROGRAMME

Pioneered in 2004, in collaboration with the South African Institute for Entrepreneurship, the Coronation Growing Entrepreneurs Programme continues to make significant strides in rural and peri-urban communities' economic development, job creation and poverty alleviation, especially among small-scale agricultural farmers.

Since inception, a total of 353 agricultural development facilitators have been trained and continue to receive ongoing support. By 2013, these trained agricultural development facilitators had assisted more than 4 265 small-scale black emerging farmers across South Africa, with agricultural and business skills, as well as knowledge required to run their farms sustainably. Over the past year, 160 new emerging farmers, representing seven cooperatives from four provinces, were trained and mentored. The programme provided the farmers with practical tools and knowledge to understand the market-led approach to farming that enables them to compete effectively in the marketplace.

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Linking the welfare of young learners to the Coronation Growing Entrepreneurs Programme, we are pleased to report that approximately 5 300 school learners, 46 educators and 24 school caretakers across the country benefited over the past year. This was achieved through school garden programmes, which have become a source of vegetable supply for school nutrition programmes or feeding schemes.

#### ■ BUILDING COMMUNITIES

For the 9th consecutive year, Coronation participated in Habitat for Humanity's Corporate Build in the Western Cape. Over the course of one week in October, 32 staff members volunteered their assistance in building a four-roomed home in Mfuleni. Habitat works in partnership with communities in need by providing housing that contributes to bringing about sustainable change.

# FINANCIAL PERFORMANCE

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2013

	Audited 30 Sept 2013 R million	% Change	Audited 30 Sept 2012 R million
<b>Fund management activities</b>			
Revenue	3 635	84	1 975
Other income	3		3
<b>Operating expenses</b>	(1 695)	67	(1 016)
Share-based payment expense	(6)		(3)
Other expenses	(1 689)		(1 013)
<b>Results from operating activities</b>	1 943	102	962
Finance and dividend income	27		18
<b>Finance expense</b>	–		(5)
<b>Share of income of equity-accounted investee</b>	5		4
<b>Profit from fund management</b>	1 975	102	979
<b>Income attributable to policyholder linked assets and investment partnerships</b>	88	106	43
Net fair value gains on policyholder and investment partnership financial instruments	133		58
Administration expenses borne by policyholders and investors in investment partnerships	(45)		(15)
<b>Profit before income tax</b>	2 063		1 022
<b>Income tax expense</b>	(606)		(338)
Taxation on shareholder profits	(518)		(295)
Taxation on policyholder investment contracts	(88)		(43)
<b>Profit for the year</b>	1 457	113	684
<b>Other comprehensive income (to be reclassified to profit or loss in future periods)</b>	24		3
Foreign currency translation differences for foreign operations	21		–
Net change in fair value of available-for-sale financial assets	4		3
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	(1)		–
<b>Total comprehensive income for the year</b>	1 481		687
<b>Profit attributable to:</b>			
– equity holders of the company	1 455	113	684
– non-controlling interest	2		–
<b>Profit for the year</b>	1 457		684
<b>Total comprehensive income attributable to:</b>			
– equity holders of the company	1 479	115	687
– non-controlling interest	2		–
<b>Total comprehensive income for the year</b>	1 481	116	687
<b>Earnings per share (cents)</b>			
– basic	434.0	100	217.3
– diluted	416.1	110	197.8
Note to the statement of comprehensive income			
<b>Headline earnings per share (cents)</b>			
– basic	433.9	100	217.3
– diluted	416.0	110	197.8
<b>Dividend per share (cents)</b>			
– interim	163.0	72	95.0
– final	253.0	128	111.0



**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
AS AT 30 SEPTEMBER 2013

	<b>Audited 30 Sept 2013 R million</b>	Audited 30 Sept 2012 R million
<b>Assets</b>		
Goodwill and intangible assets	<b>1 088</b>	1 088
Equipment	<b>16</b>	13
Investment in equity-accounted investees	<b>34</b>	33
Deferred tax asset	<b>111</b>	6
Investments backing policyholder funds and investments held through investment partnerships	<b>70 269</b>	53 669
Investment securities	<b>175</b>	112
Trade and other receivables	<b>946</b>	321
Cash and cash equivalents	<b>294</b>	426
<b>Total assets</b>	<b>72 933</b>	55 668
<b>Liabilities</b>		
Deferred tax liabilities	<b>78</b>	31
Policyholder investment contract liabilities and liabilities to holders of interests in investment partnerships	<b>70 191</b>	53 639
Taxation payable	<b>11</b>	13
Trade and other payables	<b>646</b>	510
<b>Total liabilities</b>	<b>70 926</b>	54 193
<b>Net assets</b>	<b>2 007</b>	1 475
<b>Equity</b>		
Share capital and premium	<b>256</b>	256
Retained earnings	<b>1 570</b>	1 070
Reserves	<b>177</b>	147
Total equity attributable to equity holders of the company	<b>2 003</b>	1 473
Non-controlling interest	<b>4</b>	2
<b>Total equity</b>	<b>2 007</b>	1 475

## FINANCIAL PERFORMANCE CONTINUED

### CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2013 (Audited)

R million	Share capital and premium	Foreign currency translation reserve	Retained earnings	Share-based payment reserve	Re-valuation reserve	Issued capital and reserves attributable to equity holders of the company	Non-controlling interest	Total equity
<b>Balance at 30 September 2011</b>	<b>256</b>	<b>21</b>	<b>993</b>	<b>118</b>	<b>2</b>	<b>1 390</b>	<b>2</b>	<b>1 392</b>
<b>Total comprehensive income for the year</b>								
Profit for the year			684			684		684
<b>Other comprehensive income</b>								
Currency translation differences						–		–
Revaluation of available-for-sale financial assets					3	3		3
– net change in fair value					3	3		3
Total other comprehensive income	–	–	–	–	3	3	–	3
<b>Total comprehensive income for the year</b>	<b>–</b>	<b>–</b>	<b>684</b>	<b>–</b>	<b>3</b>	<b>687</b>	<b>–</b>	<b>687</b>
<b>Transactions with owners recorded directly in equity</b>								
Share-based payments				3		3		3
Dividends paid			(606)			(606)		(606)
Imvula units acquired by the Imvula Trust			(1)			(1)		(1)
Total transactions with owners	–	–	(607)	3	–	(604)	–	(604)
<b>Balance at 30 September 2012</b>	<b>256</b>	<b>21</b>	<b>1 070</b>	<b>121</b>	<b>5</b>	<b>1 473</b>	<b>2</b>	<b>1 475</b>
<b>Total comprehensive income for the year</b>								
Profit for the year			1 455			1 455	2	1 457
<b>Other comprehensive income</b>								
Currency translation differences		21				21		21
Revaluation of available-for-sale financial assets					3	3		3
– net change in fair value					4	4		4
– reclassified to profit or loss on disposal					(1)	(1)		(1)
Total other comprehensive income	–	21	–	–	3	24	–	24
<b>Total comprehensive income for the year</b>	<b>–</b>	<b>21</b>	<b>1 455</b>	<b>–</b>	<b>3</b>	<b>1 479</b>	<b>2</b>	<b>1 481</b>
<b>Transactions with owners recorded directly to equity</b>								
Share-based payments				6		6		6
Dividends paid			(920)			(920)		(920)
Distributions to Imvula Trust beneficiaries			(35)			(35)		(35)
Total transactions with owners	–	–	(955)	6	–	(949)	–	(949)
<b>Balance at 30 September 2013</b>	<b>256</b>	<b>42</b>	<b>1 570</b>	<b>127</b>	<b>8</b>	<b>2 003</b>	<b>4</b>	<b>2 007</b>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS\***  
FOR THE YEAR ENDED 30 SEPTEMBER 2013

	<b>Audited 30 Sept 2013 R million</b>	Restated Audited 30 Sept 2012 R million
<b>Cash flows from operating activities</b>		
Profit for the year	1 975	979
Non-cash and other adjustments	(17)	(7)
<b>Operating profit before changes in working capital</b>	<b>1 958</b>	972
<b>Working capital changes</b>	<b>(489)</b>	70
<b>Cash flows from policyholder and investment partnership activities</b>	<b>5 399</b>	4 931
<b>Cash generated from operations</b>	<b>6 868</b>	5 973
Interest paid	–	(6)
Income taxes paid	(626)	(288)
<b>Net cash from operating activities</b>	<b>6 242</b>	5 679
<b>Cash flows from investing activities</b>		
Finance and dividend income	27	18
Acquisition of equipment	(12)	(5)
Purchases of investment securities	(56)	(78)
<b>Net cash from investing activities</b>	<b>(41)</b>	(65)
<b>Cash flows from financing activities</b>		
Repayment of interest-bearing borrowing	–	(43)
Other	–	(1)
Dividends to shareholders	(955)	(606)
<b>Net cash from financing activities</b>	<b>(955)</b>	(650)
Increase in cash and cash equivalents	5 246	4 964
Net (decrease)/increase in cash and cash equivalents – shareholders	(153)	33
Net increase in cash and cash equivalents – policyholders and investment partnerships	5 399	4 931
Cash and cash equivalents at beginning of year	9 809	4 845
Cash and cash equivalents at beginning of year – shareholders	426	393
Cash and cash equivalents at beginning of year – policyholders and investment partnerships	9 383	4 452
Exchange rate adjustments	21	–
<b>Cash and cash equivalents at end of year</b>	<b>15 076</b>	9 809
Cash and cash equivalents at end of year – shareholders	294	426
Cash and cash equivalents at end of year – policyholders and investment partnerships	14 782	9 383

\* The above cash flows and comparatives include the policyholder and investment partnership activities which were previously excluded. These cash flows represent net contributions and withdrawals by policyholders and investment partnerships and the related investing activities. Comparative amounts have been restated accordingly. Cash and cash equivalents of policyholders and investment partnerships are not available for use by the group.

Full details of the 2012 restatement are included in the audited financial statements on our website ([www.coronation.com](http://www.coronation.com)).

## FINANCIAL PERFORMANCE CONTINUED

### RECONCILIATION OF HEADLINE EARNINGS

	<b>Audited 30 Sept 2013 R million</b>	<b>Audited 30 Sept 2012 R million</b>
<b>Earnings attributable to ordinary shareholders</b>	<b>1 455</b>	684
Effect of adjustments	–	–
Profit on disposal of available-for-sale financial assets	(1)	–
Loss on loss of control of the Imvula Trust	1	–
<b>Headline earnings attributable to ordinary shareholders</b>	<b>1 455</b>	684

### DILUTED NUMBER OF SHARES

	<b>Audited 30 Sept 2013 '000</b>	<b>Audited 30 Sept 2012 '000</b>
<b>Weighted average number of shares in issue</b>	<b>335 328</b>	314 819
Shares to be issued		
– B-BBEE transaction	14 434	34 798
<b>Diluted weighted average number of shares in issue</b>	<b>349 762</b>	349 617

## CONDENSED CONSOLIDATED SEGMENT REPORT

	Africa		International		Group	
	Audited	Restated	Audited	Restated	Audited	Audited
R million	30 Sept	30 Sept	30 Sept	30 Sept	30 Sept	30 Sept
	2013	2012	2013	2012	2013	2012
Segment external revenue	2 871	1 598	764	377	3 635	1 975
Segment operating expenses	(1 310)	(844)	(385)	(172)	(1 695)	(1 016)
Segment profit	1 561	754	379	205	1 940	959
Share of income of equity accounted investee	5	4	–	–	5	4
Net financial income/(expense)	30	18	–	(2)	30	16
Profit from fund management	1 596	776	379	203	1 975	979
Income attributable to policyholder linked assets and investment partnerships					88	43
Profit before income tax					2 063	1 022
Segment assets	1 172	671	259	201	1 431	872
Investments backing policyholder funds and investments held through investment partnerships and other assets					71 502	54 796
<b>Total assets</b>					<b>72 933</b>	<b>55 668</b>

Comparatives have been restated for international business previously reported as Africa. Full details of the 2012 restatement are included in the audited financial statements on our website ([www.coronation.com](http://www.coronation.com)).

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## FINANCIAL PERFORMANCE CONTINUED

### SUMMARY OF THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2013

These summarised audited financial statements are a summary of the audited annual financial statements of the group for the year ended 30 September 2013. The audited annual financial statements were prepared under the supervision of financial manager, Ms Aimee Rhoda CA(SA).

The audited annual financial statements are available on [www.coronation.com](http://www.coronation.com), or on request from the company secretary.

#### 1. BASIS OF PREPARATION

The information in these summarised audited group consolidated financial statements has been extracted from the group's 2013 audited consolidated annual financial statements, which have been prepared in compliance with International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Council, the disclosure requirements of IAS 34 and the South African Companies Act, No. 71 of 2008, as amended. The accounting policies and methods of computation applied in the preparation of the financial statements are in accordance with IFRS and are consistent with those applied in the preparation of the summarised financial statements for the year ended 30 September 2012.

The summarised consolidated financial statements do not contain all the information and disclosures required in the annual financial statements.

The summarised consolidated financial statements have been extracted from the audited group annual financial statements upon which Ernst & Young Inc. has issued an unqualified report. The audited group consolidated annual financial statements are available for inspection at the registered office of the company.

#### 2. ACCOUNTING POLICIES

The accounting policies and methods of computation applied in the preparation of these summarised consolidated financial statements are consistent with those applied in the preparation of the group's consolidated annual financial statements for the year ended 30 September 2013.

## AUDITOR INDEPENDENCE

The committee appraised the independence, expertise and objectivity of Ernst & Young Inc., as the external auditor, as well as approving the terms of engagement and the fees paid to Ernst & Young Inc., which are disclosed in the annual financial statements. The external auditor has unrestricted access to the group's records and management. The company has received confirmation from the external auditor that the partners and staff responsible for the audit comply with all legal and professional requirements with regard to rotation and independence.

The audit and risk committee is satisfied that the external auditor is independent of the company.

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## GLOSSARY OF TERMS

<b>ASISA</b>	Association for Savings and Investment South Africa
<b>AUM</b>	Assets under management
<b>B-BBEE</b>	Broad-Based Black Economic Empowerment
<b>BPT</b>	Bonus Pool Trust
<b>CRISA</b>	Code for Responsible Investing in South Africa
<b>CSI</b>	Corporate Social Investment
<b>ESG</b>	Environmental, Social and Governance
<b>FRC</b>	Financial Reporting Council
<b>FSB</b>	Financial Services Board
<b>GEM</b>	Global Emerging Markets
<b>GIPS®</b>	Global Investment Performance Standards
<b>GRI</b>	Global Reporting Initiative
<b>IDASA</b>	The Institute for Democracy in South Africa
<b>IFRS</b>	International Financial Reporting Standards
<b>IT</b>	Information technology
<b>King III</b>	King Code of Governance for South Africa 2009
<b>Long-term funds</b>	All unit trusts classified as retail funds by ASISA excluding money market, dividend income and other near cash funds
<b>MOI</b>	Memorandum of incorporation
<b>POA</b>	Principal Officers' Association in South Africa
<b>PSP</b>	Western Cape Primary Science Programme Trust
<b>SAICA</b>	South African Institute of Chartered Accountants
<b>SENS</b>	Stock Exchange News Service
<b>UNPRI</b>	United Nations' Principles for Responsible Investment
<b>USD</b>	US dollar

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## NOTICE TO SHAREHOLDERS

Notice is hereby given that the 40th annual general meeting of Coronation Fund Managers Ltd ('the company') will be held, subject to any cancellation, postponement and adjournment, in the boardroom of the offices of the company at 7th Floor, MontClare Place, Cnr Campground and Main Roads, Claremont, Cape Town, on Thursday, 16 January 2014, at 10:00.

The record date to receive the notice of annual general meeting, determined in accordance with section 59(1)(a) of the Companies Act, No. 71 of 2008, as amended (the Act), is Friday, 6 December 2013, being the date on which a person must be registered as a shareholder of the company for purposes of being entitled to receive a notice of the annual general meeting. The record date for the annual general meeting, determined in accordance with section 59(1)(b) of the Act, is Friday, 10 January 2014, being the date on which a person must be registered as a shareholder of the company for purposes of being entitled to participate in and vote at the annual general meeting. The last day to trade to be able to participate in and vote at the annual general meeting is Friday, 3 January 2014.

References to all page numbers are in relation to the Annual Financial Statements and the Integrated Annual Report as indicated.

Votes at the annual general meeting will be taken by way of a poll and not on a show of hands. Any member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak, act and, on a poll, vote in his or her stead. The proxy so appointed need not be a member of the company. A form of proxy is enclosed with this notice.

Kindly note that in accordance with section 63(1) of the Act, participants (including proxies) are required to provide reasonably satisfactory identification before being entitled to attend or participate in a shareholders' meeting. In addition, the person presiding at the meeting must be reasonably satisfied that the right of that person to participate and vote, either as a shareholder or proxy, has been reasonably verified. Suitable forms of identification include a valid identity document, a driver's licence or a passport.

In accordance with Regulation 43(5)(c) of the Act, a report on the social, ethics and transformation committee is set out on page 34 of the Integrated Annual Report.

The audited Annual Financial Statements of the company for the year ended 30 September 2013, together with the reports by the directors, the external auditors and the audit and risk committee will be presented.

### ORDINARY RESOLUTIONS

1. a) To re-elect, by way of a separate vote, Mr Shams Pather who retires by rotation in accordance with the provisions of the company's MOI, who is eligible and available for re-election.  
  
b) To re-elect, by way of a separate vote, Prof Alexandra Watson who retires by rotation in accordance with the provisions of the company's MOI, who is eligible and available for re-election.

A profile in respect of each director is set out on pages 20 and 21.

2. To authorise the directors to determine the remuneration of the company's auditors.



3. To appoint, as recommended by the audit and risk committee, Ernst & Young Inc. as the company's registered auditors and to note Mr MP Rapson as the designated audit partner.

4. To appoint the audit and risk committee members as required in terms of the Act and recommended by the King Code of Governance for South Africa 2009 (King III) (Chapter 3). The following individuals are recommended for re-election to the audit and risk committee:

- a) Prof Alexandra Watson
- b) Mr Shams Pather
- c) Mr Jock McKenzie

A profile in respect of each member recommended for election to the audit and risk committee is contained on pages 20 and 21. The appointment of the members of the audit and risk committee will be conducted by way of a separate vote in respect of each individual.

## SPECIAL RESOLUTIONS

1. That the board of directors of Coronation may authorise the company to generally provide any direct or indirect financial assistance in the manner contemplated in and subject to the provisions of sections 44 and 45 of the Act to a related or inter-related company or corporation, or to a member of a related or inter-related corporation, pursuant to the authority hereby conferred upon the board for these purposes.

## REASON AND EFFECT OF SPECIAL RESOLUTION NUMBER 1

To approve generally the provision of financial assistance to the potential recipients as set out in the resolution.

2. To approve the company's remuneration to non-executive directors in respect of the following:

	Year ending 30 September 2014 R'000
<b>Basic fees</b>	
Chairman	84.0
Non-executive director	84.0
<b>Attendance fees per meeting</b>	
Board – chairman	59.0
Board – non-executive director	32.0
Audit and risk committee – chairman	53.0
Audit and risk committee – non-executive director	32.0
Social, ethics and transformation committee – chairman	42.0
Social, ethics and transformation committee – non-executive director	32.0
Remuneration and nominations committee – chairman	42.0
Remuneration and nominations committee – non-executive director	32.0
Invitee fees for all committees – non-executive director	16.0

*Non-executive directors' remuneration benchmarked on PwC Non-Executive Directors' Practices and Fee Trends Report*

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## NOTICE TO SHAREHOLDERS CONTINUED

### REASON AND EFFECT OF SPECIAL RESOLUTION NUMBER 2

To approve the company's remuneration to non-executive directors of the company in terms of section 66(9) of the Act and as per the recommendation of the King Code of Governance for South Africa 2009 (King III). The above authority and approval shall not endure beyond the earlier of the next annual general meeting of the company or beyond fifteen (15) months from the date of the meeting.

3. That the board of directors be hereby authorised, by way of a renewable general authority, to approve the purchase by the company of its own ordinary shares or to approve the purchase of ordinary shares in the company by any subsidiary of the company at such price, and in such manner and subject to such terms and conditions as the board of directors may deem fit, provided that:

- This general authority shall be valid until the company's next annual general meeting or for 15 months from the date of this resolution, whichever period is shorter.
- The ordinary shares be purchased through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and/or the relevant subsidiary and the counterparty.
- An announcement complying with paragraph 11.27 of the Listings Requirements of the JSE be published by the company (i) when the company and/or its subsidiaries have cumulatively repurchased 3% of the ordinary shares in issue as at the time the general authority was given (the initial number); and (ii) for each 3% in aggregate of the initial number of ordinary shares acquired by the company and/or its subsidiaries.
- The general repurchase by the company of its own ordinary shares shall not in the aggregate in any one financial year exceed 20% of the company's issued share capital of that class, provided that the

acquisition of ordinary shares as treasury stock by a subsidiary of the company shall not exceed 10% in the aggregate of the number of issued shares in the company.

- Repurchases are not to be made at a price more than 10% above the weighted average of the market value for the ordinary shares for the five business days immediately preceding the date upon which the transaction is effected.
- At any point in time, the company may only appoint one agent to effect any repurchase on the company's behalf or on behalf of any of its subsidiaries.
- A resolution by the board of directors that they authorised the repurchase, that the company passed the solvency and liquidity test and that since this test was done there have been no material changes to the financial position of the group.
- The company and its subsidiaries will not repurchase ordinary shares during a prohibited period (as defined in the Listings Requirements of the JSE), unless they have in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been announced on SENS prior to the commencement of the prohibited period.
- The company's sponsor has reported to the JSE that it has discharged its responsibilities in terms of Schedule 25 of the Listings Requirements of the JSE relating to the company's working capital for the purposes of undertaking the repurchase of ordinary shares prior to entering the market to proceed with the repurchase.
- Such repurchase shall be subject to compliance with the Act, the company's MOI and the Listings Requirements of the JSE.

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#### REASONS AND EFFECT OF SPECIAL RESOLUTION NUMBER 3 AND THE STATEMENT REQUIRED IN TERMS OF PARAGRAPH 11.26 OF THE LISTINGS REQUIREMENTS OF THE JSE

To grant the board of directors the general authority to contract the company and/or any of its subsidiaries to acquire the shares in the company, should the board of directors consider it appropriate in the circumstances.

The effect of special resolution number 3 is that the directors will be granted the general authority, subject to the provisions set out in the resolution, to acquire shares in the company, should they deem it appropriate in the circumstances and should the company comply with the relevant statutes and authority applicable thereto.

The board of directors, as at the date of this notice of annual general meeting, has no definite intention of repurchasing shares. It is, however, proposed that the board of directors believes it to be in the best interests of the company that shareholders pass this resolution.

The board of directors shall not make any payment in whatever form to acquire any shares issued by the company as contemplated in special resolution number 3 if, after the directors have considered the effects of the maximum repurchase or payment, there are reasonable grounds for believing that:

- The company and the group are, or will at any time during the period of 12 months after the date of this notice of annual general meeting, be unable, in the ordinary course of business, to repay their debts as they become due.
- The company's and the group's consolidated assets, recognised and measured according to the accounting policies used in the latest audited Annual Financial Statements and IFRS, will not be more than their consolidated liabilities for a period of 12 months after the date of this notice of annual general meeting.

- The ordinary share capital and reserves of the company and the group will not be adequate for ordinary business purposes for a period of 12 months after the date of this notice of annual general meeting.
- The company and group will not have sufficient working capital to meet its needs for a period of 12 months after the date of this notice of annual general meeting.
- Any repurchases shall comply with the limitations set out in special resolution number 3, the requirements of the Listings Requirements of the JSE and the Companies Act.

In compliance with paragraph 11.26(b) of the Listings Requirements of the JSE, the information listed below has been included in the Integrated Annual Report and the Annual Financial Statements as indicated, in which this notice of annual general meeting is included, at the places indicated:

- The company's directors (pages 20 and 21 of the Integrated Annual Report).
- Major shareholders (page 17 of the Integrated Annual Report).
- Directors' interests in securities (page 6 in the Annual Financial Statements).
- Share capital (page 37 in the Annual Financial Statements).

Other than the facts and developments reported on in the Annual Financial Statements, there have been no material changes in the affairs, and in the financial or trading position of the group since the signature date of this notice and the posting thereof.

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## NOTICE TO SHAREHOLDERS CONTINUED

The directors, whose names are set out on pages 20 and 21 of the Integrated Annual Report, collectively and individually accept full responsibility for the accuracy of the information contained in special resolution number 3 and certify that to the best of their knowledge and belief there are no other facts, the omission of which would make any statement false or misleading and that they have made all reasonable queries in this regard and that the notice of the annual general meeting contains all information required by law and the Listings Requirements of the JSE.

There are no legal or arbitration proceedings (including such proceedings that are pending or threatened of which the company is aware) which may have or have had in the previous 12 months, a material effect on the group's financial position.

### VOTING AND PROXIES

Members who have not dematerialised their shares or have dematerialised their shares, but with 'own name' registration (entitled members), may appoint one or more proxies to attend, speak and vote or abstain from voting in such members' stead. A form of proxy is attached for the use of those entitled members who wish to be so represented.

Members who have already dematerialised their shares (other than those with 'own name' registration) are required to inform their duly appointed Central Securities Depository Participant (CSDP) or broker, as

the case may be, of their intention to attend the annual general meeting and request that their duly appointed CSDP or broker, as the case may be, issue them with the necessary letters of representation to attend or provide their duly appointed CSDP or broker, as the case may be, with their voting instruction should they not wish to attend the annual general meeting in person, but wish to be represented thereat.

The attention of the members is drawn to the fact that, if it is to be effective, the completed form of proxy is to reach the company's transfer secretaries in Johannesburg at least 48 hours before the time appointed for the meeting (which period excludes Saturdays, Sundays and South African public holidays).

By order of the board

**Lee-Anne Parenzee**  
*Company secretary*

6 December 2013

Registered office  
7th Floor, MontClare Place  
Cnr Campground and Main Roads  
Claremont 7708  
Cape Town  
South Africa

# FORM OF PROXY



**Coronation Fund Managers Limited**  
(Incorporated in the Republic of South Africa)  
(Registration number 1973/009318/06)  
ISIN: ZAE000047353 Share code: CML  
(‘the company’)

40th annual general meeting of members

To be completed by certificated shareholders and dematerialised shareholders with ‘own name’ registration only.

I/We \_\_\_\_\_

of (address) \_\_\_\_\_

being a member of the abovementioned company and holding \_\_\_\_\_

ordinary shares entitling me/us to \_\_\_\_\_ of \_\_\_\_\_ votes (1 per share),

\_\_\_\_\_ of \_\_\_\_\_ or failing him/her,

\_\_\_\_\_ of \_\_\_\_\_ or failing him/her,

the chairman of the meeting,

as my/our proxy to vote for me/us on my/our behalf at the annual general meeting of the company to be held in the boardroom of the offices of the company at 7th Floor, MontClare Place, Cnr Campground and Main Roads, Claremont, Cape Town, on Thursday, 16 January 2014, at 10:00 and any cancellation, postponement and adjournment thereof.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 20 \_\_\_\_\_

Signature/s \_\_\_\_\_

		Mark with an X whichever is applicable		
I/We desire to vote as follows:		Vote for	Vote against	Abstain
<b>Ordinary resolutions</b>				
1.	a) To re-elect, by way of a separate vote, retiring director Mr Shams Pather who is eligible and available for re-election			
	b) To re-elect, by way of a separate vote, retiring director Prof Alexandra Watson who is eligible and available for re-election			
2.	To authorise the directors to determine the remuneration of the company's auditors			
3.	To confirm the appointment of Ernst & Young Inc. as the company's registered auditors and to note Mr MP Rapson as the designated audit partner			
4.	To appoint and re-elect audit and risk committee members each by way of a separate vote:			
	a) To elect Prof Alexandra Watson			
	b) To elect Mr Shams Pather			
	c) To elect Mr Jock McKenzie			
<b>Special resolutions</b>				
1.	To authorise the company to generally provide any direct or indirect financial assistance contemplated in and subject to the provisions of sections 44 and 45 of the Act			
2.	To approve the company's remuneration to non-executive directors in respect of the financial year ending 30 September 2014, as set out in the notice of annual general meeting			
3.	To provide the directors with a general authority to repurchase up to 20% of the company's issued share capital			

Unless otherwise directed, the proxy will vote or abstain, as he or she thinks fit in respect of the member's total holding.

Any member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak, act and, on a poll, vote in his or her stead. The proxy so appointed need not be a member of the company.

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## FORM OF PROXY CONTINUED

### MEMBERS HOLDING CERTIFICATED SHARES OR DEMATERIALISED SHARES REGISTERED IN THEIR OWN NAME

1. Only members who hold certificated shares and members who have dematerialised their shares with 'own name' registration may use this form of proxy.
2. Each member is entitled to appoint one or more proxies (none of whom needs be a member of the company) to attend, speak and, on a poll, vote in place of that member at the annual general meeting, by inserting the name of the proxy or the names of two alternate proxies of the member's choice in the space provided, with or without deleting 'the chairman of the meeting'. The person whose name stands first on the form of proxy and who is present at the meeting will be entitled to act as the proxy to the exclusion of those whose names follow.
3. A member's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that member in the appropriate box(es) provided. Failure to comply with the above will be deemed to authorise the chairman of the meeting, if he is the authorised proxy, to vote in favour of the resolutions at the annual general meeting, or any other proxy to vote or to abstain from voting at the annual general meeting, as he deems fit, in respect of all the member's votes exercisable thereat.
4. A member or his proxy is not obliged to vote in respect of all the shares held or represented by him, but the total number of votes for or against the resolutions in respect of which any abstention is recorded may not exceed the total number of votes to which the member or his proxy is entitled.
5. Forms of proxy must be lodged and/or posted to the company's transfer secretaries (Computershare Investor Services (Pty) Ltd) at 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown 2107), to be received by the transfer secretaries by not later than 10:00 on Tuesday, 14 January 2014.
6. The completion and return of this form of proxy in accordance with point 5 above will not preclude the relevant member from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such member wish to do so.
7. A minor must be assisted by the minor's parent or guardian, unless the relevant documents establishing the minor's capacity are produced or have been registered by the company.
8. Any alterations or corrections to this form of proxy must be initialled by the signatory(ies).
9. This form of proxy must be signed by all joint members. If more than one of those members are present at the annual general meeting either in person or by proxy, the person whose name stands first in the register shall alone be entitled to vote.
10. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the company's transfer office or waived by the chairman of the annual general meeting.
11. The chairman of the annual general meeting may reject or accept any form of proxy which is completed and/or received other than in accordance with these instructions, provided that he is satisfied as to the manner in which a member wishes to vote.

### MEMBERS HOLDING DEMATERIALISED SHARES

12. Members who have dematerialised their shares through a Central Securities Depository Participant (CSDP) or broker (except those members who have elected to dematerialise their shares with 'own name' registration) and all beneficial members holding their shares (dematerialised or certificated) through a nominee should provide such CSDP, broker or nominee with their voting instructions in sufficient time to allow them to advise the transfer secretaries of the company of their voting instructions before the closing time as detailed in point 5 above.
  13. All such members wishing to attend the meeting in person may do so only by requesting their CSDP, broker or nominee to issue the member with a letter of representation in terms of the custody agreement. Such letter of representation must also be lodged with the transfer secretaries before the closing time as detailed in point 5 above.
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<b>CAPE TOWN</b>	7th Floor, MontClare Place, Cnr Campground and Main Roads, Claremont 7708 PO Box 44684, Claremont 7735 Telephone: +27 (0)21 680 2000 Fax: +27 (0)21 680 2100
<b>JOHANNESBURG</b>	1st Floor, Unit 7B, 3 Melrose Boulevard, Melrose Arch 2196 PO Box 652643, Benmore 2010 Telephone: +27 (0)11 328 8200 Fax: +27 (0)11 684 2187
<b>PRETORIA</b>	1st Floor, Block 4, The Boardwalk Office Park, Eros Street, Faerie Glen 0043 Postnet Suite 502, Private Bag X18, Lynnwood Ridge 0040 Telephone: +27 (0)12 990 9040 Fax: +27 (0)12 991 6079
<b>DURBAN</b>	Suite 6, 15 The Boulevard, Westway Office Park, Westville 3635 Telephone: +27 (0)87 354 0508
<b>GABORONE</b>	1st Floor, Exchange House, Plot 64511, Fairgrounds, Gaborone, Botswana Postnet Kgale, PO Box AD44, ACJ, Gaborone, Botswana Telephone: +267 (0)390 0152 Fax: +267 (0)390 0267
<b>MBABANE</b>	Ning Office Park, 649 Somhlolo Road, Mbabane, Swaziland PO Box 44684, Claremont 7735 Telephone: +27 (0)21 680 2000 Fax: +27 (0)21 680 2100
<b>LONDON</b>	7th Floor, St Albans House, 57–59 Haymarket, London, SW1Y 4QX, United Kingdom Telephone: +44 (0)207 389 8840 Fax: +44 (0)207 389 8899
<b>DUBLIN</b>	11 Central Hotel Chambers, Dame Court, Dublin 2, Ireland Telephone: +353 (0)1 674 5410 Fax: +353 (0)1 674 5411

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