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INTEGRATED ANNUAL REPORT

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2014

**CORONATION**   
FUND MANAGERS  
**TRUST IS EARNED**

## CREATING VALUE THAT EARNS OUR CLIENTS' TRUST, YEAR AFTER YEAR

### 2008

Launch of two Africa portfolios  
AUM of R125 billion  
Total staff of 174  
31% staff-owned

### 2009

Re-opened Absolute Return unit to new institutional investors  
Rated Level 4: Generic Codes on B-BBEE  
AUM of R155 billion  
Total staff of 181  
30% staff-owned

### 2010

Best Africa Fund Manager – Africa investor Index Series Awards  
POA Imbasa Yegolide Awards:  
Overall Investment/Asset Manager of the Year  
Equities Manager of the Year  
Rated Level 4: Generic Codes on B-BBEE  
AUM exceed R200 billion  
Total staff of 189  
30% staff-owned

### 2011

Rated Best Large Fund House – 2011 Morningstar South Africa Awards  
Africa Fund Manager Performance Award for Coronation Top 20 South Africa (Best South Africa Equity Fund of the Year)  
POA Imbasa Yegolide Award: Equities Manager of the Year  
Rated Level 4: Generic Codes on B-BBEE  
AUM of R247 billion  
Total staff of 201  
29% staff-owned

### 2007

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

### 2006

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

### 2005

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

### 2004

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



### 1993

Investment team forms Coronation Fund Managers and starts managing third-party assets  
Total staff of 18

### 1994

First democratic elections in South Africa  
Upper quartile in all investment performance surveys  
AUM of R3 billion

### 1995

Appointed to manage first large institutional client in Swaziland  
AUM more than double to exceed R7 billion

## 2012

Rated Best Large Fund House – 2012 Morningstar South Africa Awards

Best Africa Fund Manager – Africa investor Index Series Awards

3rd Best Performing Company over 5 years – Sunday Times Top 100 Companies

Runner-up – Financial Mail Top Companies 2012

POA Imbasa Yegolide Awards:  
Overall Investment/Asset Manager of the Year  
Equities Manager of the Year  
Absolute Returns Manager of the Year  
Bond Manager of the Year

Closure of SA Equity product range to new institutional investors

Rated Level 3: Generic Codes on B-BBEE

AUM of R339 billion

Total staff of 218

29% staff-owned

## 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:  
Five individual fund awards

Rated Level 3: Generic Codes on B-BBEE

AUM of R492 billion

Total staff of 246

25% staff-owned

## 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

## 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

## 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

## 2000

Runner-up Raging Bull Unit Trust Company of the Year

AUM of R44 billion

## 1996

Unit Trust company formed

Launch of international fund of funds business following exchange control deregulation in South Africa

Launched equity long/short hedge fund

## 1997

Formation of Namibia Asset Management and Namibia Unit Trust Managers

Launch of first retail international fund of hedge funds in South Africa

AUM exceed R20 billion

## 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 return products to the South African market

Opened London office

Revolutionised industry through offering of pooled products through Coronation Life Assurance Company

# 2014

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Rated Best Large Fund House –  
2014 Morningstar South Africa Awards

Top Performing Company over 5 years –  
Sunday Times Top 100 Companies

Best Domestic Management Company of 2013  
(awarded in 2014) – Raging Bull Awards

Overall winner – Financial Mail Top Companies 2014

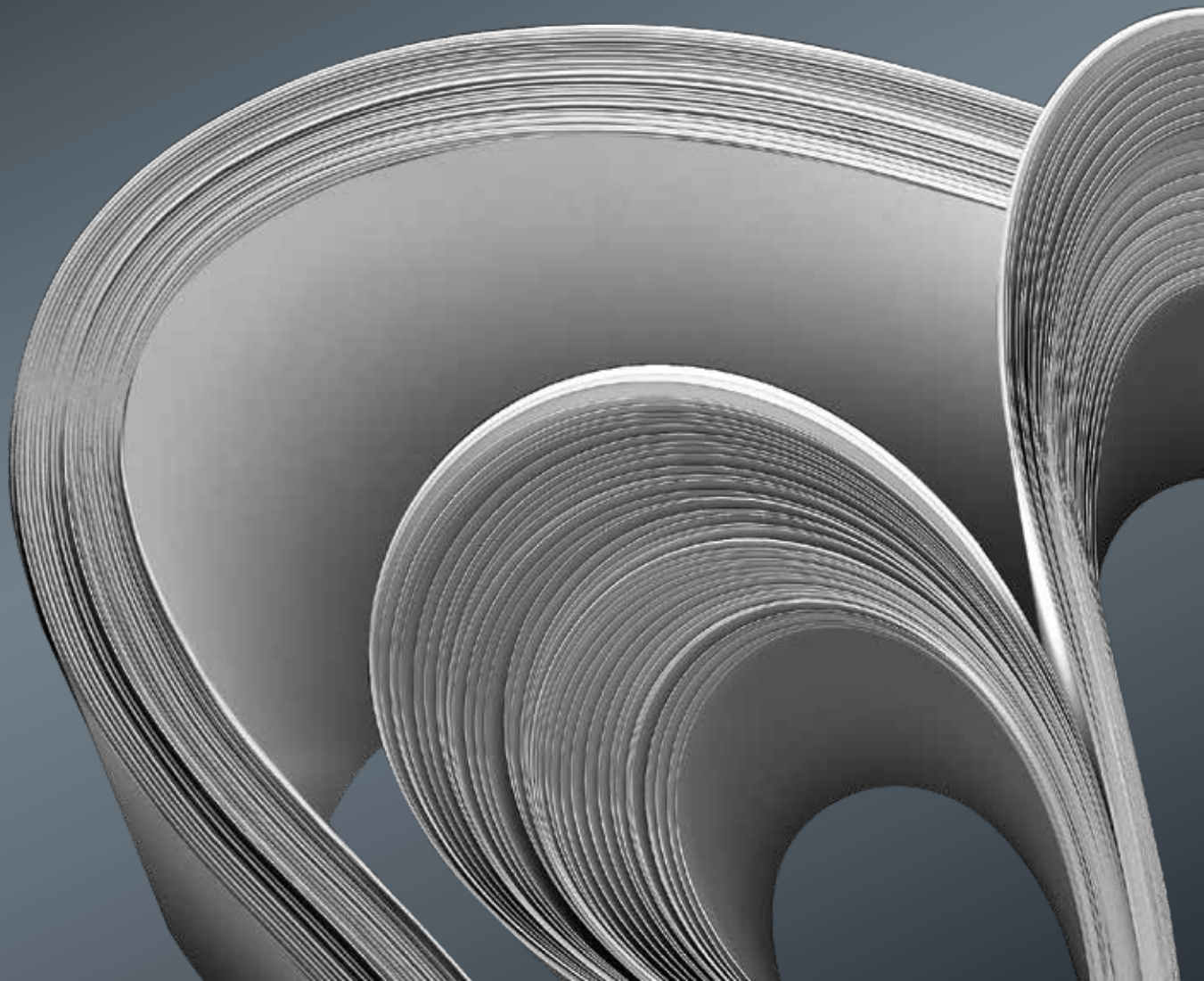
Professional Pensions Investment Awards 2014:  
Emerging Market Equity Manager of the Year  
Rising Star of Asset Management

Rated Level 3: Financial Sector Code

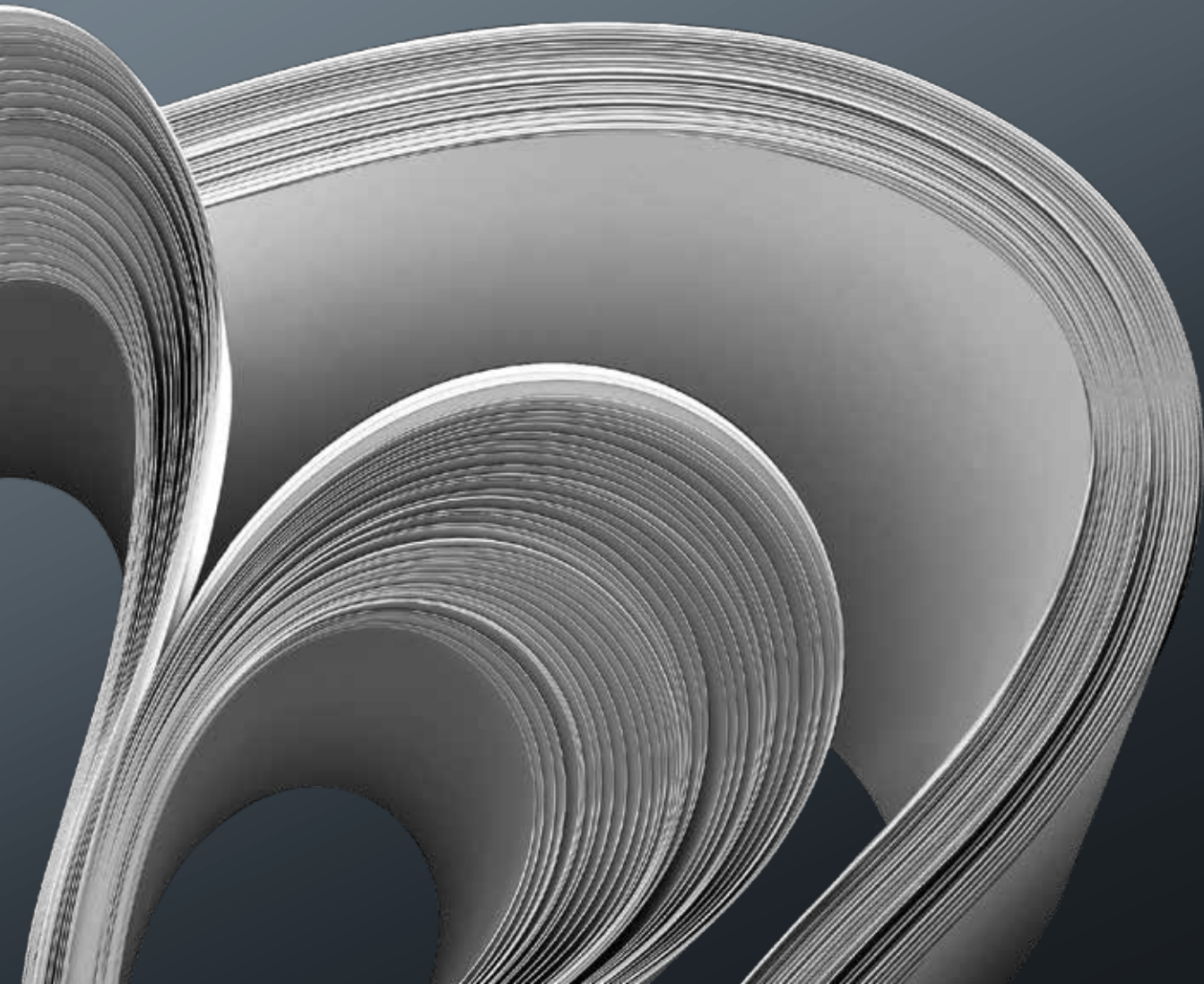
AUM of R588 billion

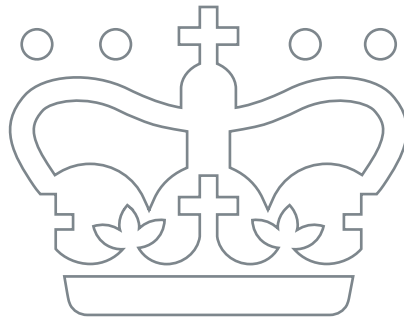
Total staff of 274

24% staff-owned



TRUST IS EARNED™





2014



**TRUST IS EARNED™**

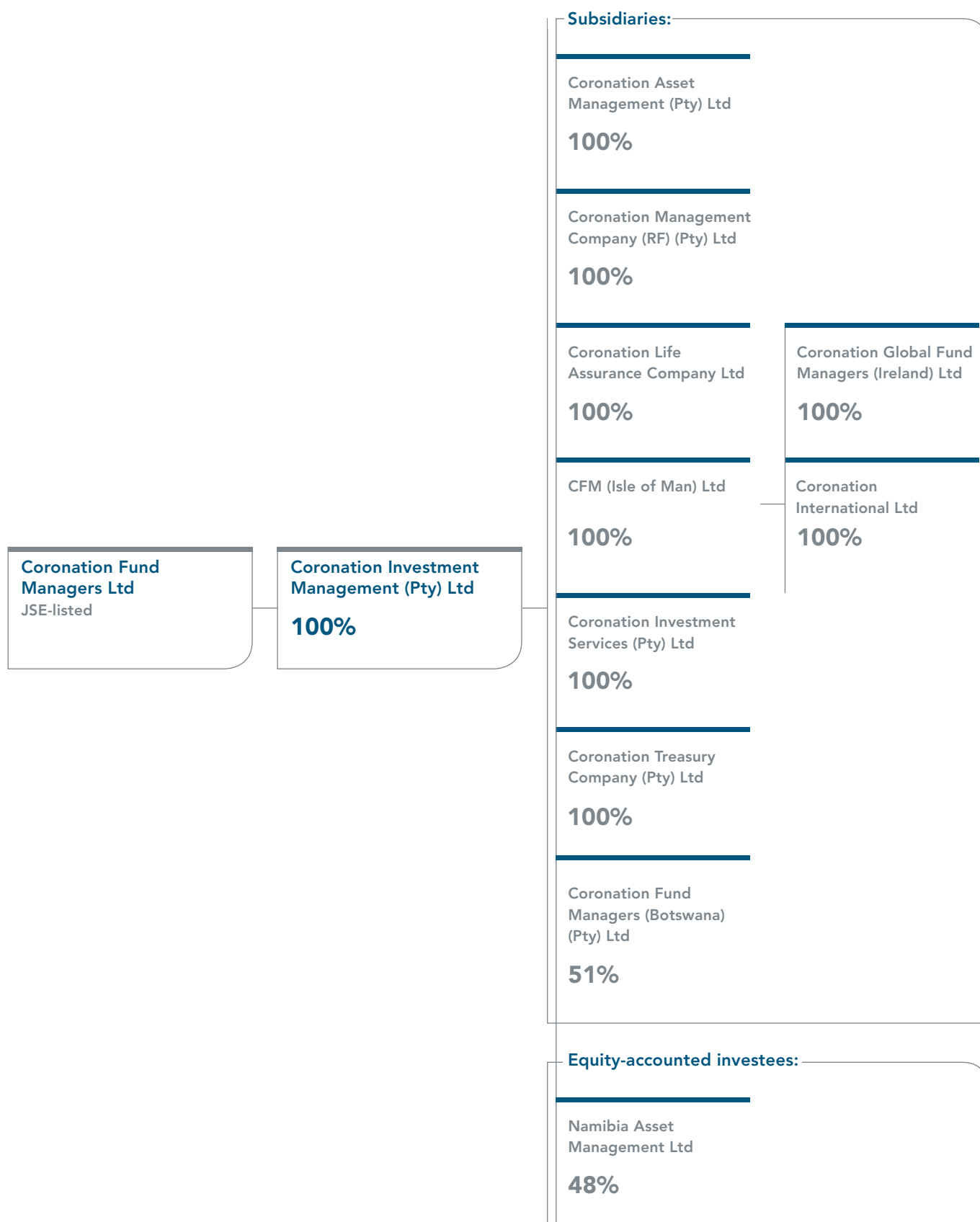
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# CORPORATE STRUCTURE



**Notes:**

49% shareholding in Professional Provident Society Investments (Pty) Ltd sold to PPS on 1 October 2013.

CFM (Swaziland) (Pty) Ltd deregistered on 8 July 2014.

Coronation Fund Managers (Botswana) (Pty) Ltd deregistration pending.



# 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 International Integrated Reporting Framework (IIRF) 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 – financial capital, human capital, intellectual capital, social and relationship capital, natural capital and manufactured capital, only the first four are material to our business.

The relevant capitals – financial, human, intellectual, social and relationship – form the detailed content of this report. As an active fund manager, it is the intellect, skill, knowledge and wellbeing of our people that enable us to deliver on our business objectives. Please refer to pages 47 to 51 for specific information on human and intellectual capital. Coronation's contribution to national economic and social upliftment addresses the social and relationship capital, which is covered on pages 53 to 57, and the financial performance of the business is detailed on pages 58 to 64.

All non-financial information has been produced with reference to the requirements of the Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines.

## DIRECTORS' APPROVAL

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The board of directors acknowledges responsibility for ensuring the integrity of this report. The directors have applied their collective minds in the preparation and presentation of this report in accordance with the requirements of the IIRF. The content of this report has been approved for the year ended 30 September 2014, and the group's condensed consolidated financial statements form part of it.

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 audited annual financial statements can be found in the shareholder information section of our website ([www.coronation.com](http://www.coronation.com)).

# CORPORATE INFORMATION

Annual general meeting:  
Share code (ordinary shares): CML

Thursday, 15 January 2015 at 10:00  
ISIN: ZAE000047353

## BOARD OF DIRECTORS

Shams Pather (independent non-executive chairman)  
Anton Pillay (chief executive officer)  
John Snalam (chief financial officer)  
Lulama Boyce  
Judith February  
Jock McKenzie  
Alexandra Watson

Appointed 7 October 2014

## 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

# BUSINESS OVERVIEW

## BUSINESS MODEL

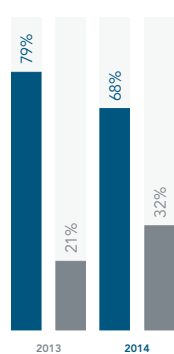
Coronation Fund Managers was founded in Cape Town, South Africa in 1993. We are an investment-led, owner-managed business, with staff ownership of 24%. We are an active investment manager with a long-term valuation-driven investment approach.

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

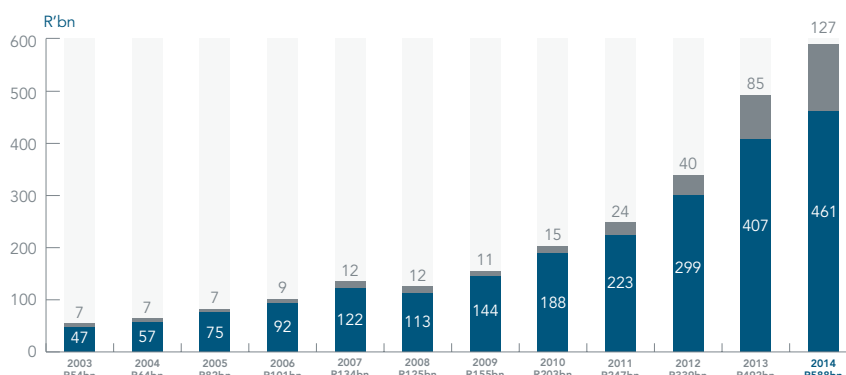
Headquartered in Cape Town, South Africa, we also have offices in London, Dublin, Johannesburg, Durban and Pretoria.

Revenue is generated from our ability to add value to the assets we manage. This informs both our employee remuneration structure and the level of returns to shareholders, ensuring alignment of stakeholder objectives.

### REVENUE SPLIT



### ASSETS UNDER MANAGEMENT SPLIT



■ SOUTHERN AFRICA  
■ INTERNATIONAL

■ SOUTHERN AFRICA  
■ INTERNATIONAL

The business is built around two primary client market segments.

### INSTITUTIONAL

We are one of the largest managers of institutional assets in South Africa, managing assets for more than 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 largest manager of long-term assets in the South African collective investment schemes 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.

# BUSINESS OVERVIEW CONTINUED

## OUR VISION

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

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 three years and we will continue to invest in this area of the business to ensure an exceptional level of client service support. 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 (market outperformance on client mandates); we are not asset gatherers.







## OUR CULTURE

As an asset management business, our people are one of our greatest assets.

Over our history, we have developed and nurtured a culture of teamwork, performance and excellence, and an entrepreneurial flair remains a vital ingredient of our DNA today.

We are unambiguously a meritocracy and believe that active managers require a strong culture of performance and excellence. Our staff also act with an owner mentality. Ownership is a very important aspect of our culture; currently 24% of the business is owned by staff, with a leadership that operates on a partnership basis.

We operate with 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 placing clients at the centre 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



## STAKEHOLDERS

The company understands and places high importance on communication with all stakeholders, represented by the following primary groupings:

- Clients and intermediaries
- Staff
- Shareholders
- Government and regulatory bodies

- 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 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.

All client-facing staff undergo intensive product and compliance training as well as regular communication skills enhancement.

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. In 2015 we are embarking on a review of all client communication with the objective of reducing financial terminology into plain and simple language. This review will incorporate the requirements of the FSB's recently released general rules for Marketing and Advertising Disclosure Requirements for Collective Investment Schemes.

We host comprehensive institutional and retail roadshows, meetings and presentations throughout the course of the year and conduct focused research at multiple customer touchpoints.

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

## 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. Our people are critical to the long-term sustainability of the business. Please see further details of our investment in human capital on pages 47 to 51.

### ● 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.

### ● Government and regulatory bodies

We strive to engage with government and regulatory bodies in a proactive and transparent manner. We are primarily answerable to the following regulators:

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


The majority of our regulatory interaction is with the Financial Services Board (South Africa) (FSB), either directly or through our involvement with the Association for Savings & Investment SA (ASISA). We are committed to playing an active role in shaping the South African financial services industry by working with industry partners and the FSB. Currently, approximately 25 staff members serve on seven ASISA board committees, 16 standing committees and 26 working groups.

In line with our strategy to grow our offering to global capital allocators, we became members of the Investment Company Institute (ICI) in April 2013. ICI is the world's leading association of regulated funds in the United States and similar funds offered to investors in jurisdictions worldwide. Our membership provides valuable access to key international industry and regulatory trends.

# 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:

 **Investment performance**

 **Client service**

 **Governance**

 **Staff**

 **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 and staff retention.

# KEY FOCUS AREAS AND PERFORMANCE CONTINUED



## INVESTMENT PERFORMANCE

Our long-term track record of consistent alpha generation is testament to the rigour of our single investment philosophy and process (see adjacent tables). 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 – our 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 INDICATORS

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



## MEASUREMENT

- Institutional: balanced portfolios

### QUARTILE RANKING TO 30 SEPTEMBER 2014

	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 2014

INVESTOR NEED	FUND	5 YEARS	10 YEARS	SINCE INCEPTION
Long-term growth (equity only)	<b>Top 20</b>	1	1	1
Long-term growth (multi-asset)	<b>Balanced Plus</b>	1	1	1
Income and growth	<b>Capital Plus</b>	2	1	1
Income and growth	<b>Balanced Defensive</b>	1	–	1
Income only	<b>Strategic Income</b>	1	1	1

Source: Morningstar

- International: US dollar funds

FUND	ANNUAL ALPHA*	LAUNCH DATE	FEES
Global Emerging Markets	6.96%	14-Jul-08	Gross
Africa Frontiers	12.88%	01-Oct-08	Gross
Global Managed	2.82%	01-Mar-10	Gross
Global Capital Plus	6.85%	01-Sep-09	Gross
Global Bond	2.62%	01-Oct-09	Gross
Global Equity Fund of Funds	1.41%	01-Jul-00	Net
Global Equity Alternative Strategy Fund of Funds	Fund closed**	01-Aug-96	Net

\* Annualised alpha for institutional portfolios since launch to end September 2014

\*\* Closed on 1 July 2014

# KEY FOCUS AREAS AND PERFORMANCE CONTINUED

## AWARDS 2014

### MORNINGSTAR AWARDS



- Best Large Fund House
- Bond – Short-term – Coronation Strategic Income
- Flexible Allocation – Coronation Optimum Growth

### RAGING BULL AWARDS



- Management Company of the Year
- Domestic Interest-Bearing:  
Coronation Strategic Income
- SA-domiciled Global Multi-asset Low Equity:  
Coronation Global Capital Plus [ZAR] Feeder
- SA-domiciled Global Multi-asset High Equity:  
Coronation Global Managed [ZAR] Feeder
- SA-domiciled Worldwide Multi-asset Flexible:  
Coronation Optimum Growth
- FSB-approved Offshore Global Asset Allocation:  
Coronation Global Managed [USD]

### SUNDAY TIMES TOP 100 COMPANIES



- Top Performing Company over five years

### FINANCIAL MAIL TOP COMPANIES



- Overall winner

### PROFESSIONAL PENSIONS INVESTMENT AWARDS



- Emerging Market Equity Manager of the Year
- Rising Star of Asset Management



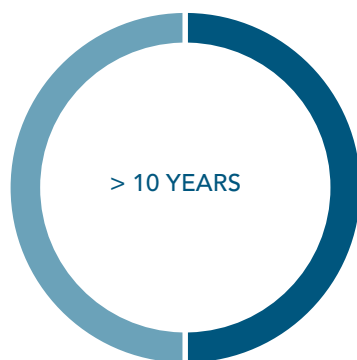


## CLIENT SERVICE

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 account holders of unit trusts and retirement products in South Africa. We also manage a growing number of global institutional clients.

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



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 (TCF) programme, and through our involvement with ASISA we are actively engaged in refining the practical aspects of this outcomes-based framework, including an enhancement of the information and disclosures we provide for all our unit trust funds. During the past year TCF training was rolled-out to all staff via e-learning, and client-facing staff participated in tailored TCF workshops.

# KEY FOCUS AREAS AND PERFORMANCE CONTINUED



## 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 policy document, *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. 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 Listings Requirements of the JSE. Please refer to our website ([www.coronation.com](http://www.coronation.com)) for the detail of our King III evaluation. 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 ownership and excellence.

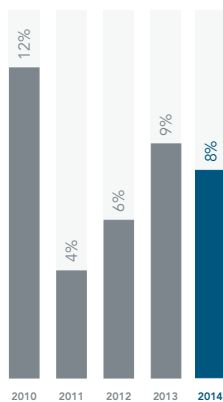
Teamwork, individual achievement and continuous learning that is fully supported by the company, are all key components of our culture. We employ a total staff complement of 274 (2013: 246), of whom 65 are investment professionals, with an average of 11 years in the industry and 8 years at Coronation. Staff retention is critical to the success of the business (see staff turnover diagram below) and is achieved through a range of initiatives. For further details on human capital, please see pages 47 to 51.

As a pure fund manager, our remuneration is linked to the strength of investment performance and service delivery to clients. The bonus pool was established at the inception of the company, which is contractually calculated as 30% of pre-tax profit. This was communicated to stakeholders in our pre-listing statement in 2003 and included in our Memorandum of Incorporation. In line with our long-term focus, the bonus pool is also utilised to invest in Coronation shares and unit trusts. This allocation vests over a pre-determined number of years (ranging from 1 to 7 years). This makes our remuneration very variable in nature and ensures alignment with stakeholders through periods of increasing and decreasing profitability. The company is unique as a listed company in that it does not issue share options nor does it have any phantom share schemes.

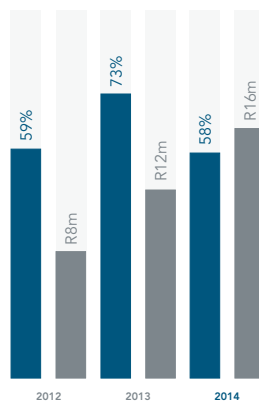
The settlement of the debt (on 29 August 2012) within our staff empowerment vehicle, the Imvula Trust, has also facilitated the realisation of ownership and economic benefit to beneficiaries. This augmentation in staff ownership feeds directly into the culture and philosophy of the business.

Staff are encouraged to maintain their shareholding in Coronation, which currently stands at 24%.

### STAFF TURNOVER



### STAFF TRAINING SPEND



■ BLACK STAFF  
■ TOTAL SPEND

# KEY FOCUS AREAS AND PERFORMANCE CONTINUED

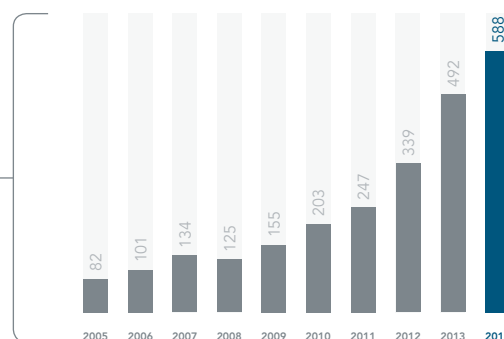


## SHAREHOLDER VALUE

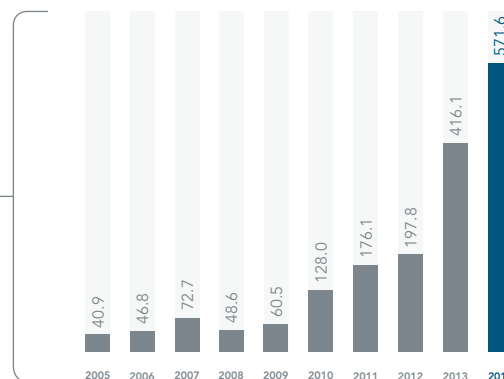
All key focus areas, as previously defined, combine in the execution of our strategy to create shareholder value. Over the past few years the company has enjoyed a fairly stable shareholder base.

KEY PERFORMANCE INDICATORS	2012	2013	2014
Cost-to-income ratio (%)	51.2	46.3	45.0
Dividend distributions (cents)	206	416	571
Rolling 5-year total return (% p.a.)	26	65	68

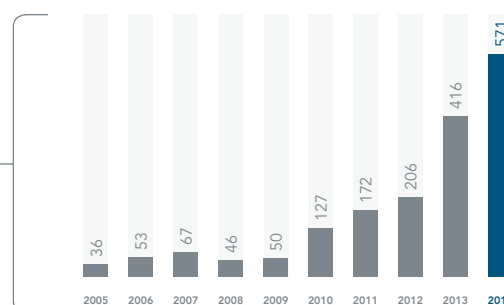
ASSETS UNDER MANAGEMENT  
OF R588 BILLION **UP 20%**



DILUTED HEADLINE EARNINGS PER SHARE  
OF 571.6 CENTS **UP 37%**



TOTAL DIVIDEND PER SHARE  
OF **571** CENTS



## ANALYSIS OF SHAREHOLDERS

DISTRIBUTION OF SHAREHOLDERS		Number of shareholders	%	Number of shares '000	%
1	– 1 000 shares	7 432	52.33	3 275	0.93
1 001	– 10 000 shares	5 577	39.26	18 840	5.39
10 001	– 100 000 shares	975	6.86	27 241	7.79
100 001	– 1 000 000 shares	168	1.18	49 501	14.15
1 000 001	shares and over	52	0.37	250 942	71.74
		14 204	100.00	349 799	100.00

DISTRIBUTION OF SHAREHOLDERS		Number of shareholders	%	Number of shares '000	%
Banks		132	0.93	83 308	23.82
Brokers		36	0.26	6 253	1.79
Close corporations		152	1.07	767	0.22
Endowment funds		39	0.28	267	0.08
Individuals		11 052	77.81	36 227	10.35
Insurance companies		53	0.37	4 361	1.25
Investment companies		13	0.09	1 015	0.29
Medical aid schemes		7	0.05	184	0.05
Mutual funds		220	1.55	36 298	10.38
Nominees and trusts		1 884	13.26	23 028	6.58
Other corporations		93	0.65	464	0.13
Pension funds		114	0.80	40 416	11.55
Private companies		222	1.56	4 925	1.41
Public companies		17	0.12	24 117	6.89
Staff holdings		167	1.18	83 078	23.75
Sovereign wealth funds		3	0.02	5 090	1.46
		14 204	100.00	349 799	100.00

PUBLIC/NON-PUBLIC SHAREHOLDERS		Number of shareholders	%	Number of shares '000	%
<b>Non-public shareholders</b>		167	1.17	83 078	23.75
Directors (includes directors of subsidiary companies)		6	0.04	8 882	2.54
Shares held by staff		161	1.13	74 196	21.21
<b>Public shareholders</b>		14 037	98.83	266 721	76.25
		14 204	100.00	349 799	100.00

GEOGRAPHICAL OWNERSHIP		Number of shareholders	%	Number of shares '000	%
Southern Africa		13 786	97.06	225 632	64.50
International		418	2.94	124 167	35.50
		14 204	100.00	349 799	100.00

SHAREHOLDERS WITH BENEFICIAL INTEREST OF 5% OR MORE IN SHARES		Number of shares '000	%
Government Employees Pension Fund		35 161	10.05
The Imvula Trust		31 674	9.06
Berkeley Private Wealth Ltd		23 531	6.73

# PRODUCT RANGE

## INSTITUTIONAL

We offer local and international institutional investors segregated and pooled portfolios across asset classes and geographics. Our Global and South African offerings include multi-asset, fixed interest and equity strategies, and within Global Emerging and Frontier markets we manage pure equity strategies.

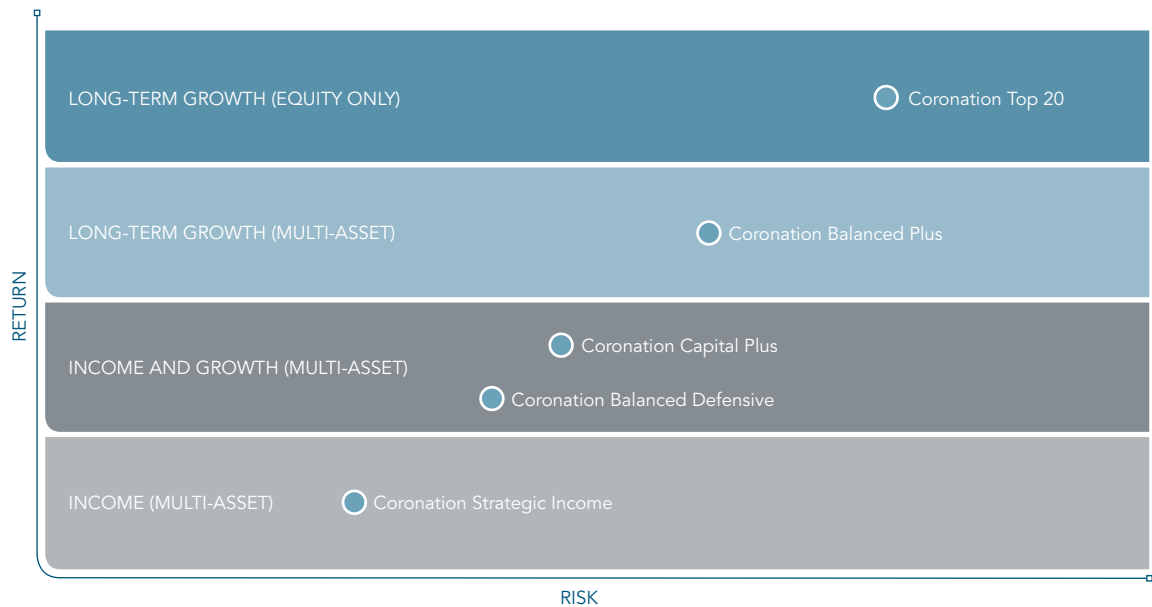




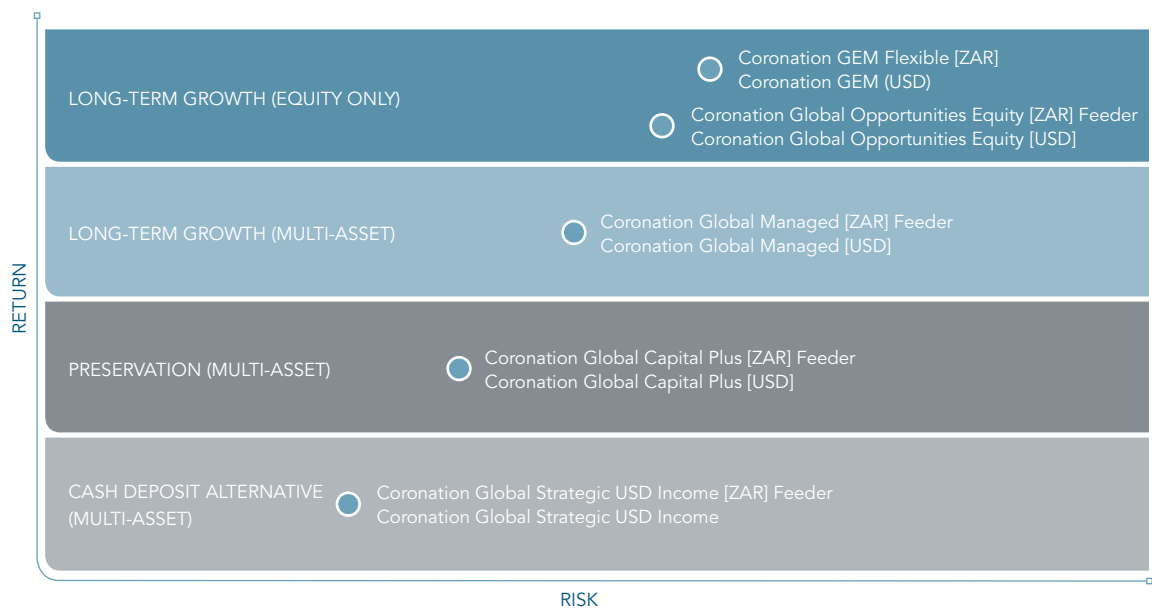
## RETAIL

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



# BOARD OF DIRECTORS



### SHAMS PATHER

Independent non-executive chairman, 64  
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, 44  
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.

### JOHN SNALAM

Chief financial officer, 55  
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 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.

### LULAMA BOYCE

Independent non-executive director, 35  
BCom (Hons), CA(SA)



Lulama is a senior lecturer and deputy head of department at the University of Johannesburg. She graduated from the University of Cape Town in 2002 and served her articles at Grant Thornton Johannesburg. She is a former account manager of the Industrial Development Corporation (IDC) and was part of the Transport and Financial Services business unit from 2008 to 2011. She is a former project finance consultant and served on the audit committee of Automotive Supplier Park (ASP) – 2007 to 2009. Lulama was appointed to the board on 7 October 2014 and is an independent non-executive director of Coronation Management Company (RF) (Pty) Ltd and Coronation Life Assurance Company Ltd.

### JUDITH FEBRUARY

Independent non-executive director, 43  
BA (Law), LLB, LLM (UCT)



Judith is a senior research associate at the Institute for Security Studies. Prior to that she was the executive director: Democracy and Governance at the Human Sciences Research Council (HSRC) and also 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.

Judith was also selected for the 6 month Reagan-Fascell fellowship in Washington DC in Spring 2012. Judith was appointed to the board in August 2008.

### JOCK McKENZIE

Independent non-executive director, 67  
BSc (Chem Eng), MA (Lancaster)



Jock is a member of the boards of Sappi and Capitec. He chairs the board of trustees of the University of Cape Town Foundation, the Carleton Lloyd Educational Trust and the Rondebosch Boys' Schools Education Trust. 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.

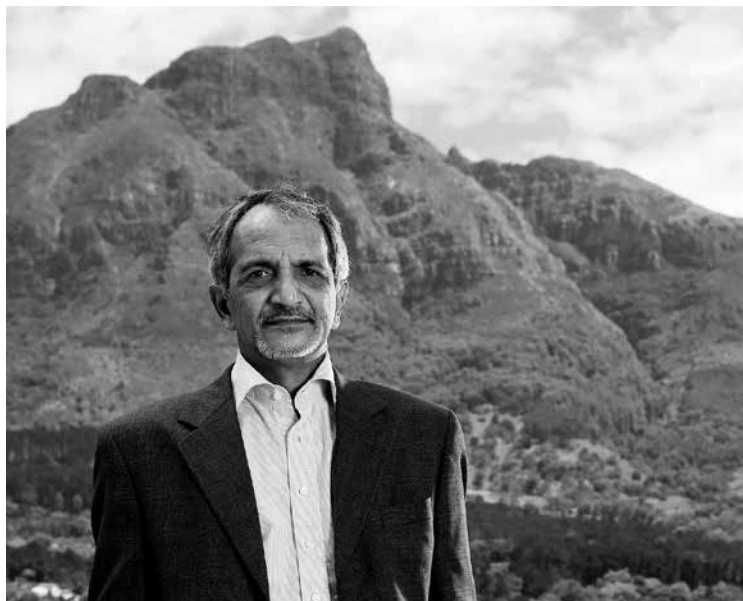
### ALEXANDRA WATSON

Independent non-executive director, 58  
BCom (Hons), CA(SA)



Alexandra is the Richard Sonnenberg Professor of Accounting at the University of Cape Town, where she is the coordinator of teaching and learning in the college of accounting. She is a former chairman of the accounting practices committee, the technical accounting committee of SAICA, and was an independent director of Coronation Investments and Trading Ltd. Alexandra is an independent non-executive director of Coronation Management Company (RF) (Pty) Ltd and Coronation Life Assurance Company Ltd and chairs the council of Herschel Girls School. With effect from 1 January 2014, she has been a board member of the Global Reporting Initiative. Alexandra was appointed to the board in May 2008.

# CHAIRMAN'S STATEMENT



**SHAMS PATHER**  
CHAIRMAN

The global economy has sputtered along with divergent trends between regions. While the US appears to continue on a gradual recovery, Japan seemingly remains reliant on the expansionist policy of Abenomics to keep it afloat, and Europe risks sinking back into a stagnation scenario. Emerging markets have not fared too well as slowing growth (especially in China, with a concomitant impact on commodity prices) and higher inflation have seen many countries decelerate. Geopolitical factors have added to global jitters, with the Russia/Ukraine tensions and the spread of ISIS through parts of the Middle East being the main flashpoints.

It has been another difficult year for the South African economy. The protracted platinum mining strike, other industrial action, and weaker tones in global demand, particularly from China, have had a dampening effect on domestic growth. Combined with higher inflation, higher interest rates and a weaker currency, the lower growth environment has led to a challenging year for both consumers and businesses. The failure of African Bank in August initially sent shockwaves through the financial sector, but as

the reasons for its failure were specific to its business model, and given the rapid response by the South African Reserve Bank (SARB), this ultimately proved to be a non-systemic event. We have also seen some new faces at the helms of both the SARB and National Treasury. Both SARB Governor Kganyago and Finance Minister Nene have recommitted to steering the economy through policy continuity to lay the ground for higher sustainable growth.

While the markets remained supportive for a large part of the year, in the month of September equity markets sold off as commodity prices plummeted and emerging markets fell sharply. For the year, the MSCI World Index returned 12.8% and the MSCI Emerging Markets Index produced 4.7% (both in US dollar terms). The South African equity market registered a US dollar return of 2.6% over the same period, amounting to 15.4% in rand terms. Continuing its decline, the rand lost 11% against the US dollar (to close at R11.28) and 4.8% against the euro (to close at R14.24). The domestic currency was among the worst performing emerging market currencies over the period.

I am happy to report yet another good set of results, where the strength of our long-term investment track record and growing brand equity saw assets under management increase by 20% to R588 billion (September 2013: R492 billion). This was supported by total net inflows of R32 billion, of which international products represented 66% (R21 billion). In line with our strategy to further grow the global franchise, total international assets under management grew by 49% to R127 billion (September 2013: R85 billion).

The substantially increased asset base, combined with good investment performance, assisted in generating a 31% rise in revenue to R4.8 billion for the financial year. Profit from fund management grew by 35% to R2.7 billion and diluted headline earnings per share by 37% to 571.6 cents (September 2013: 416 cents).

We continue to reward shareholders through regular and significant distributions of free cash flow generated. We endeavour to distribute at least 75% of after-tax cash profit. Accounting for projected cash requirements, a final gross dividend of 296 cents per share has been declared for the year ended 30 September 2014. Together with the interim gross dividend of 275 cents per share, this amounts to a total gross dividend of 571 cents per share for the year.

## STRATEGY

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Our role, as a board, is to ensure that we provide the necessary guidance and support in enabling management to execute the most appropriate initiatives for the long-term health of the business. The strategy is single-mindedly focused on producing consistent long-term superior returns for all stakeholders.

We have enhanced our global offering through the creation of a Global Equity Fund and Global Frontiers Fund as referenced on page 27 and have enjoyed good support for our top-performing Global Emerging Markets and Africa offerings. Likewise, we have experienced significant growth in our South African retail

business, which now manages the largest share of long-term assets in the domestic collective investment schemes industry. 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.

As detailed throughout this report, our people and the importance of our clients are central to the successful delivery of our strategic goals. Our focus is on ensuring that our client service teams are appropriately resourced with highly skilled individuals in an ever-changing and complex market environment. Considerable investment has been made in the development of staff and in the creation of clear, simple and accessible communications to clients.

In October 2013, we exited from our joint venture with PPS. We are proud of the skills transfer, guidance and support provided in establishing and making PPS Investments sustainable during our seven-year involvement. While no longer a shareholder, our CEO Anton Pillay and Head of Personal Investments Pieter Koekemoer remain on the board.

Our long-term horizon is a key differentiator in our investment philosophy and crucial to the success and sustainability of our company. The long-term perspective with which we manage our clients' assets is aligned with our philosophy and business model.

## GOVERNANCE

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Encapsulated in our company values and client charter is our uncompromising approach to ethics and integrity. As a leader in the South African investment industry, we embrace good corporate citizenship and the importance of robust governance. We apply the highest standards of governance that provide protection for all our stakeholders.

Our methodology and approach allow for effective oversight and accountability, with due consideration of appropriate and workable risk

parameters. Supplementary to the detail recorded within the relevant sections of this report, the various committee charters and policies are available within the shareholder information section of our website ([www.coronation.com](http://www.coronation.com)).

Coronation has considered and applied (except where otherwise indicated) the principles of the Code of Corporate Practices and Conduct, as set out in King III. We are an early signatory to the United Nations' Principles for Responsible Investment, and support the Code for Responsible Investing in South Africa and the UK Stewardship Code. As the South African and global contexts expand, we continue to keep abreast of developments that will add strength to the governance of our business.

On behalf of the board, I welcome Lulama Boyce as non-executive director and look forward to the value that she will undoubtedly add. Ms Boyce, whose abridged biography can be found on page 21, was appointed on 7 October 2014. At the date of this report, the board comprised five independent non-executive directors and two executive directors. All subcommittees are chaired by non-executive directors.

## TRANSFORMATION

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We remain committed to B-BBEE transformation for the value that it brings to society and the skills and diversity it contributes to our business. Our goal is to exceed the imperatives as defined in the Financial Sector Code. Coronation is a Level 3 contributor.

To achieve transformation of the investment management industry one needs to create opportunity and implement effective skills transfer. At Coronation, training, mentorship and career planning have played an integral role in achieving this. Hence a significant portion of our training spend is allocated to black staff (see page 48 for more details). Where we encounter a shortage of relevant industry experience, we have recruited on the basis of an individual's

potential to excel. We are proud of the success we have achieved in developing great black talent and for the economic wealth created by our staff-owned empowerment trust, Imvula (created in 2005).

We are mindful of the significant role that Coronation plays in society through our involvement in contributing to the sustainability and expansion of inspirational corporate social investment programmes.

## ACKNOWLEDGEMENTS

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We operate in a highly competitive industry where human capital is our greatest asset. The dedication displayed by each and every member of staff, who live the Coronation culture and always put clients first, is truly inspirational. To my fellow board members, I thank you for your counsel, and to our clients, intermediaries and shareholders we thank you for your continued trust in our ability to create long-term value.

## PROSPECTS

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We have been cautioning investors for some time to expect lower returns from markets. The declines in both the local and global equity markets in September of this year have reminded investors that markets do not always follow an upward trajectory.

Coronation is a cyclical business that has benefited from strong markets and excellent performance across our fund range. Earnings are highly geared to market returns and shareholders should not expect earnings to grow every year off the current high base.

Volatility typically presents an opportunity to long-term investors. We therefore welcome recent market movements as an opportunity to add value in client portfolios. We will continue to diligently adhere to our single-minded pursuit of identifying long-term value to achieve long-term investment performance excellence.

# CHIEF EXECUTIVE OFFICER'S REVIEW



**ANTON PILLAY**  
CHIEF EXECUTIVE OFFICER

At Coronation, Trust is Earned™ is more than an advertising strapline; it is a modus operandi that is entrenched in our investment philosophy and culture. In a world of diminishing trust, we believe that placing our clients at the centre of all decision-making is critical to ensuring our continued ability to deliver value to all stakeholders. We are grateful for the continued trust our clients place in our ability to deliver on their long-term investment objectives.

Over the year, we attracted significant flows from our South African retail clients and made excellent progress in establishing our investment credentials with international capital allocators. The combination of strong flows and good market performance saw us end the year with assets under management of R588 billion, making Coronation one of the largest custodians of savings in South Africa.

A recurring question during the year, particularly in the professional advisor market, has been one that relates to our size. We don't measure success by the size of assets that we manage or by the level of our share price. Fundamentally,

it's about our long-term investment track record and our clients' experience in our funds. As noted on pages 5 and 6, we are not asset gatherers and where we believe our ability to generate alpha for clients is compromised, we will close to new business (as evidenced in the first closure of our institutional Absolute funds in 2005 and again in 2012 alongside the closure of the SA Equity and Balanced funds).

The ongoing global shift to more intrusive and intensive regulatory oversight of the financial services industry continues across the markets in which we operate. In South Africa, retirement reform remains a flagship project for National Treasury. A major structural fault line in the country's retirement system is the lack of a requirement for preservation of accumulated savings before retirement. A significant body of research confirms that interrupting compounding when accessing savings early (pre-retirement) is the primary reason why those in formal employment over a full career, retire with inadequate retirement capital. The gradual introduction of tighter preservation requirements is therefore a vital component of the reform agenda.

Given the discord over forced preservation between government and organised labour in September/October of this year, no further consultation has taken place on any of the priority areas previously identified by Treasury. The delays in the reform process contribute to increasing uncertainty and have the potential to undermine the credibility of the retirement system.

The level of long-term savings is a vital contributor to economic growth. Unfortunately, this surprise hiatus will have a negative effect on the country's already worryingly low household savings rate (1.7% of GDP in 2013). The ensuing consultation process will include a re-airing of the debate around introducing more comprehensive social security which, if implemented, may result in a diversion of cash flows and assets from the existing private retirement industry. The likelihood of successful implementation of a comprehensive social security system is also severely constrained by the tight fiscal space in which the country currently finds itself.

The one positive piece of news is that the introduction of tax-free savings accounts for non-retirement saving will go ahead as planned (1 March 2015). Individual participation will be regulated through annual and lifetime contribution limits. These products are expected to provide additional incentives to a broader range of taxpayers to invest in existing investment products such as our range of unit trust funds, and should, to some extent, lead to a deepening of the savings and investment market. Guided by the stipulated principles and characteristics of these products, and upon finalisation of the regulatory framework, a new tax-free savings account will be added to our product range.

The FSB's formal Retail Distribution Review (RDR), with the key focus on reducing conflicts of interest, has been released for comment and will have a fundamental impact on the industry. It will further entrench the Treating Customers Fairly initiative that provides a principles-based

approach to ensure that reasonable client outcomes are central to industry culture. A key focus in the year ahead will be discussion on the 55 proposals included in the RDR, including the enhanced disclosure of information to retail clients, specifically the standardisation of fund fact sheets and cost disclosure across the collective investment schemes industry. Ahead of this development, ASISA has voluntarily adopted an effective annual costs model (EAC) to aid in product comparison across various providers, enhanced disclosure of total expense ratios (TERs) by including the transaction costs, and is in the process of setting a best practice guideline for the calculation and disclosure of performance fees in unit trust funds.

The following information provides a detailed review of our two primary client market segments (as identified on page 5):

## INSTITUTIONAL BUSINESS

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We remain the second largest manager of institutional assets in the country. Net flows into our institutional business were close to zero, with inflows to our Global Emerging Markets strategy countering outflows from our mature South African business. Our institutional business focuses on both local and international clients. Total institutional client assets are R383 billion.

## SOUTH AFRICA

In recent years, our share of the mature South African institutional market has registered well in excess of any long-term normalised level. Due to our very high exposures to many of the prevalent mandates in this market, combined with our strategic decision to close the SA Equity and Multi-Asset products to new clients in 2012, outflows were recorded. In coming years we anticipate overall market share decline.

Our long-term investment track record is evident in the 1st quartile rankings over all meaningful periods by virtually all our products. As noted in all our performance-related communication,



we consider meaningful periods to be in excess of five years. Our balanced funds have consistently delivered top-quartile performance over meaningful periods in the Alexander Forbes SA Large and Global Large Manager Watch™ surveys and our longest-running domestic equity fund, Houseview Equity, has delivered an annualised alpha of 3.2% (gross of fees) since its inception in October 1993. Our first-to-market absolute portfolio, Global Absolute, has produced alpha of 5.3% per annum (gross of fees) since inception in August 1999. Finally our specialist bond portfolio, Strategic Bond, has outperformed the local bond market by 1.7% per annum (gross of fees) since inception in January 2008.

We are uncompromising on the superior levels of service that we provide, always aiming to anticipate client needs and exceed their expectations to deliver what we term as *non-investment alpha*. Consequently, we added to the strength of our client-servicing team and deepened our operational skill set and infrastructure, refining processes for efficient client response times and dissemination of information. Training and development remained a constant in enhancing the value that we bring to clients.

In addition to our regular client reporting and presentations throughout the year, we once again hosted TALKINGinvestments in the major centres of Johannesburg and Cape Town. This high-level forum of global and local thought leaders presented clients with perspectives of the local South African market, current geopolitical risks and a possible endgame for the global financial crisis.

## GLOBAL

While still very early days in the development of our global business, Coronation is recognised as an Emerging and Frontier Markets' specialist. This is supported by inflows of R16 billion to our Global Emerging Markets strategy from high-profile parastatal, corporate pension funds and endowments.

Our Emerging Market and Africa products have continued to produce both market- and peer-beating returns since their respective launch dates in 2008. The Coronation Global Emerging Markets Fund has generated an annualised alpha of 7.0% (gross of fees) since July 2008, while the Coronation Africa Frontiers portfolio has outperformed its benchmark by 12.9% per annum (gross of fees) since October 2008.

In parallel with the growth in assets we have added to our global client-servicing team, building skills that will ensure that non-investment alpha is never compromised irrespective of geography or time zone. Likewise, we have enhanced our existing operational infrastructure to accommodate differing client profiles, mandates, regulatory environments and reporting requirements.

In terms of product development, the new additions to our global offering, Global Equity and Global Frontiers, are scheduled for launch in the first quarter of the 2015 financial year. Both strategies will operate with company-funded seed capital at the start.

## RETAIL BUSINESS

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Coronation is now the largest manager of long-term retail assets in the local collective investment schemes industry, with a market share of 15.1% (September 2013: 13.6%). Over the year, we continued to attract a disproportionate level of industry flows, with total net inflows amounting to R32 billion across our domestic fund range. While we do not expect flows at these levels to persist in the years ahead, our focus will be on maintaining our share of the market, which we believe is now at normalised levels.

The collective investment schemes industry continues to gain share of the country's overall savings pool, which remains stagnant. Investors remain firm in their preference for multi-asset funds, which is a core competency for Coronation. Multi-asset funds now represent 49% of industry

assets (2009: 22%), and attracted R102 billion in net inflows during the 2014 financial year. Managed income and money market funds saw outflows of more than R42 billion in the September 2014 quarter. This was largely in response to the losses incurred in lower-risk funds as a result of the collapse of African Bank. Coronation was largely unaffected by this negative investor reaction, recording small inflows to our income and money market funds over this period. Industry flows into international funds doubled when compared to 2013. We continued to gain market share in all major market sectors in 2014.

For the second consecutive year, Coronation was named Raging Bull South African Management Company of the Year, and for the fourth consecutive year, Morningstar Best Large Fund House. While industry accolades provide some means of a peer benchmark, our rankings in the performance tables are a more accurate barometer of our continued alpha generation over the long term. As at 30 September 2014, all domestic and international flagship funds ranked in the 1st quartile of their respective Morningstar categories since launch, the highlights of which include:

- Coronation Top 20 has outperformed its benchmark by 5.6% p.a. (after fees) since launch in October 2000.
- Coronation Balanced Plus, the no. 1 multi-asset high equity fund in South Africa since launch in April 1996, has outperformed its average competitor by 2.7% p.a. (after fees) over the same period.
- Coronation Balanced Defensive, the no. 1 multi-asset low equity fund in South Africa since inception in February 2007, has outperformed inflation by 4.8% p.a. (after fees) over the same period.
- Coronation Strategic Income, the no. 1 multi-asset income fund since inception in July 2001, has outperformed cash on average by 2.9% p.a. (after fees) over the same period.
- Coronation Global Opportunities Equity [ZAR] Feeder, the no. 1 global equity general fund in South Africa since inception in August 1997, has outperformed the global equity market by 1.5% p.a. (after fees in rands) over the same period.
- Coronation Global Managed [ZAR] Feeder, the no. 1 global multi-asset high equity fund in South Africa since inception in October 2009, has outperformed its composite benchmark by 1.6% p.a. (after fees in rands) over the same period.

Clear communication is a priority for investors and for the industry at large. As indicated earlier in this review, considerable attention will be given to the disclosure of information as part of the FSB's evolution of the TCF initiative. Our objective is to enhance our documentation to make it easier for clients to understand our products and, more importantly, make the right decision for their individual needs.

Understanding the needs of our clients and responding in a manner that is both professional and caring are essential to exceptional service delivery, which means that we dedicate significant resources to ensuring that our staff are equipped to provide excellent service to all our clients, both professional advisors and individuals. During the year we ran tailored TCF workshops that incorporated intensive client interaction scenarios and hosted communication and presentation skills training for our client-facing staff.

The *Conversations with Coronation* presentation series continues to enjoy much success, attracting a record-breaking 7 000 attendees this year. These topic-driven events, presented by senior members of our investment team, provide key information-sharing opportunities to the professional advisor market. Held five times a year in nine different locations, they form part of Continued Professional Development training

for advisors. Other key communication tools are our information portal *coroconnect* and our quarterly *Corospondent* newsletter, designed for efficient dissemination of product information and thought leadership articles.

Coronation has no affiliated distribution channels, which means that we depend on the unbiased independent advice provided by third-party professional advisors for the bulk of inflows to our funds.

We are pleased to report that our 2014 annual independent financial advisor survey continued to show positive trends, with over 95% of advisors expressing a good understanding of our fund positioning. Advisors expressed higher ratings in the Multi-Asset Long-Term Growth, Equity and International mandate types when compared to the 2013 survey.

In line with overall retail growth, the number of direct account holders has grown. Consequently call activity in the client service centre increased and our annual gauge of client satisfaction and loyalty levels saw us remain above the 90% level.

We are pleased to announce that our newly enhanced website was launched in November 2014. Built around creating an intuitive and rewarding user experience, the key areas of improvement centre on simple, clear and relevant information. Providing investors with information that enables them to make the right investment decisions for their individual needs, saw us dedicate development time on *first-time investor guidance, choosing the right fund and interactive fact sheets*. In addition, we

have created a printed investor handbook, *Your investment with Coronation – everything you need to know*, aimed at empowering new clients to make the most of their relationship with us. In response to increasing levels of cybercrime we also upgraded our secure online transacting portal to include a three-factor authentication process, including the use of a One-Time-Pin (via SMS). This improved security measure has also simplified our clients' user experience.

Our international range of feeder funds continues to rank in the first quartile of their respective Morningstar categories since inception, and we envisage that the retail version of the Global Equity Fund will be launched during 2015.

## PROSPECTS

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Despite the tough economic and market environment that lies ahead, I am confident about the long-term health of our business. Volatility typically presents an opportunity to long-term investors like ourselves. We therefore welcome recent market movements as an opportunity to add long-term value in client portfolios.

We have a proven long-term investment philosophy, robust investment process and attractive product offering. We pride ourselves in attracting and retaining the best talent across all areas of our business, and are fortunate to have one of the most experienced and stable investment teams in the country. In the year ahead we will continue to remain resolutely focused on adding value for all stakeholders, but are cognisant of the high earnings base set in 2014 in what remains a cyclical business.

# CORPORATE GOVERNANCE

Coronation maintains a balanced approach to effective corporate governance. The company has utilised the Governance Assessment Instrument (GAI), as developed and licensed by the Institute of Directors in Southern Africa, as the due process to provide assurance that every recommended practice in King III has been considered. 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 2014 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.

<p>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.</p>	<p>Coronation is a uniquely people-driven business. In terms of our Memorandum of Incorporation and other founding agreements, Coronation's remuneration is contractually calculated as 30% of pre-tax profit. This has been the case since the company's inception and has been a cornerstone of the company's success because it assists greatly in attracting and retaining world-class talent and it contributes to our owner-managed culture. The policy was communicated to stakeholders in our pre-listing statement in 2003.</p>
<p>Sustainability reporting and disclosure should be independently assured.</p>	<p>Given the elements of measuring sustainability, the board does not consider independent assurance to be necessary.</p>

## BOARD OF DIRECTORS

In compliance with the recommendations of King III, Coronation's unitary board as at 30 September 2014, comprised two executive directors and four independent non-executive directors. On 7 October 2014, Ms Lulama Boyce,

a fifth independent non-executive director, was appointed to the board. The chairman is an independent non-executive director. The board is responsible for appointing the chief executive officer; 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.

The board provides strategic direction to management and approves 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 responsibilities, the board is aware of the importance of achieving economic performance while conforming to governance principles.

The board selects and appoints the company secretary and recognises the importance of this role in entrenching good corporate governance. All directors have unlimited access to the services of the company secretary, 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. The company secretary may assist directors, board committees and their members in obtaining professional advice.

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. In accordance with the JSE Listings Requirements, a detailed assessment was conducted by the board to consider and satisfy itself of the competence, qualifications and experience of the company secretary. The board agreed that all the requirements had been met, was satisfied with her performance and is confident in her ability to meet the responsibilities of the position. She does not serve as a director of the board

and the assessment confirmed her arm's length relationship with the board. The board guides and reviews corporate strategy, considering major initiatives and risk management. 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.

Based on the recommendation from the remuneration and nominations committee, the board considers the nomination of new directors for appointment, or re-appointment in the case of existing directors, and recommends same to shareholders. 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 pages 66 and 67 for details regarding those directors who are retiring this year).

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 52).

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 Memorandum of Incorporation (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 2014 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 2014, 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		Member
Judith February <sup>1</sup>	Director		Chairman	
Jock McKenzie <sup>1^</sup>	Director	Member		Chairman
Alexandra Watson <sup>1</sup>	Director	Chairman	Member	
Anton Pillay <sup>2</sup>	CEO		Member	
John Snalam <sup>2</sup>	CFO			
Llewellyn Smith <sup>3</sup>			Member	
Heidi Kornmuller <sup>4</sup>			Member	

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

<sup>\*</sup> Chair on matters relating to the nomination and appointment of individuals

<sup>^</sup> Chair on matters relating to remuneration

<sup>2</sup> Executive

<sup>3</sup> Chief operating officer

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

# CORPORATE GOVERNANCE CONTINUED

Attendance at the meetings of the board and the committees as at 30 September 2014 was as follows:

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

## 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. This 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 2014 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 fulfilling its responsibility of assisting the board in discharging its duty to shareholders, the committee is guided by an audit and risk 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.

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 financial director, internal and external auditors, as well as the global 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.

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 recommendation 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

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The remuneration and nominations committee is a combined committee that is consistent with the recommendation of King III. The chairman of the board chairs the meeting on matters relating to the nomination and appointment of individuals. An independent non-executive director chairs on matters relating to remuneration. 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 2014 financial year.

The committee's main objective is to ensure that the board comprises individuals equipped to fulfil the role of company directors and to ensure that the company recruits and retains the appropriate calibre of management. The committee also ensures appropriate succession planning is in place. It adds value by ensuring that optimal remuneration structures are in place, 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 50.

## SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE

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The social, ethics and transformation committee is chaired by an independent non-executive director and consists of one other independent non-executive director in addition to members of management. The committee met on two occasions during the 2014 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 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.

The committee oversees the monitoring, implementation, 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.



# RISK MANAGEMENT AND COMPLIANCE

## RISK MANAGEMENT

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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.

# RISK MANAGEMENT AND COMPLIANCE CONTINUED

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.

## RISK 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 an 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 who 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.</li> <li>● 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> <li>● Credit risk limits, stipulated in the counterparty and credit risk policy, are monitored for compliance on a daily basis.</li> </ul>

RISK	DEFINITION	MANAGEMENT AND MITIGATION
Investment performance 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, resulting in poor investment performance relative to benchmarks	<ul style="list-style-type: none"> <li>● The business manages market risk through its structured investment process. A strict investment philosophy and process are followed by the investment team in the analysis of potential investments. Team discussions and debates are conducted prior to the authorisation and execution of investment decisions.</li> </ul>
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> <li>● Coronation's capital adequacy requirements, as required by relevant regulatory bodies, are calculated by the finance team. Submissions to the regulatory bodies are monitored by the compliance function. Coronation has complied with all regulatory capital adequacy requirements during the period.</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 risks are identified through various processes, such as the formal business risk assessment process which is conducted annually, the incident reporting process, internal audit and external assurance provider findings, as well as ongoing interaction with the business on a day-to-day basis. The risks identified are evaluated based on impact and likelihood, after taking the effectiveness of the existing controls into account. The business will agree on the most appropriate risk mitigating actions to address the risk.</li> <li>● An incident-reporting policy and process exist to ensure that all reported operational risk incidents are analysed, and the risk mitigated to prevent a recurrence.</li> <li>● A whistle-blowing programme is in place to anonymously report dishonest and unethical practices within or impacting the business.</li> </ul>

# RISK MANAGEMENT AND COMPLIANCE CONTINUED

RISK	DEFINITION	MANAGEMENT AND MITIGATION
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>
Outsourcing risk	The risk of financial or reputational loss as a result of poor service delivery from material outsourced service providers	<ul style="list-style-type: none"> <li>● Coronation has implemented a number of processes to enhance the monitoring and oversight of the services provided by our material outsourced service providers.</li> <li>● Regular meetings and feedback sessions are held with senior management of the outsourced service provider.</li> <li>● Service levels are closely monitored to ensure compliance with the requirements of service level agreements.</li> <li>● A formal due diligence is conducted on each material service provider on a regular basis.</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	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 service providers 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 are 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 MANAGEMENT AND COMPLIANCE CONTINUED

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>

## COMBINED ASSURANCE

The audit and risk committee supports the benefits of utilising external assurance providers. A combined assurance framework allows visibility over the assurance provided for each risk, and by whom. The process also involves an adequacy assessment on the level of assurance obtained. The collaborative efforts of senior management and internal and external assurance providers, assist in bringing about a holistic view of the organisation's risk profile and assurance activities, and optimise overall assurance to the audit and risk committee.

The internal audit function at the relevant subsidiaries is conducted by auditing firm Deloitte. 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.

The internal audit follows an approved risk-based audit approach to planning the audit.

At the start of each financial year an internal audit plan is developed and presented for approval to the audit and risk committee. The plan is based on a formal risk assessment together with issues identified by management, the internal auditors and the audit and risk committee. Given that new risk areas may be identified as the business evolves, planning is of a continuous nature.

Consultation takes place between the internal and external auditors, as well as KPMG who are engaged to provide a reasonable assurance opinion on the ISAE 3402 report during the year. This ensures that adequate external assurance is obtained over financial, operational and compliance controls to mitigate material risks. In addition, we engage other specialist external assurance providers to test selected processes and controls.

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.

## COMPLIANCE

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Coronation has a global compliance function which is primarily responsible for monitoring Coronation's compliance with all relevant regulatory obligations in all jurisdictions in which the group operates. We are primarily answerable to the following regulators:

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

Regulatory compliance is achieved by, firstly, identifying and understanding the full universe of relevant regulation and, secondly, by training employees and embedding compliance requirements in processes and controls. The compliance department manages an ongoing training and awareness programme, which includes induction training for new starters, 'compliance broadcasts' sent by email to all or impacted staff, required regulatory training and specialist training for certain staff segments. In order to test adherence to regulatory obligations our compliance staff execute appropriate risk-based compliance monitoring plans and employ the services of specialist external assurance providers.

Given the nature and scale of our business, and the fact that all key business and operational functions are centralised on one floor in our Cape Town headquarters, interaction between compliance staff and business/operational staff is frequent. In addition, the head of global risk and compliance is in regular direct contact with the chief executive officer, chief operations officer, chief financial officer and senior management, and attends key management and governance meetings. Supplementary to attending the audit and risk committee meetings and reporting to the committee, the head of global risk and compliance holds one-on-one meetings periodically with the independent non-executive chair of the audit and risk committee.

The global compliance function is managed out of Cape Town and consists of the head of global risk and compliance, three South African-based compliance officers and a compliance officer based in Dublin and one in London. In line with our expanding global strategy, we also frequently employ the services of international compliance consultants and law firms to ensure we remain abreast of all material regulatory developments.

Coronation has not had any regulatory penalties, sanctions or fines for contraventions or non-compliance with regulatory obligations imposed on it or any of its directors or officers.

## CODE OF ETHICS

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We strive to be leaders in promoting the highest standards of ethics and professional excellence. High ethical standards are critical to maintaining stakeholder trust in Coronation, the financial markets and the investment profession. By 'stakeholders' we include the public, regulators, clients, prospective clients, shareholders, employees, colleagues in the investment profession, and other participants in the global capital markets.

All staff are required to conduct themselves in accordance with the client charter and our set of values. In addition, all staff are required to complete a biannual declaration that includes, inter alia, the provision of information and/or declarations in relation to outside interests, broker statements, conflicts of interest, compliance with the requirements of Coronation’s compliance manual, confidential information and the Financial Services Board’s Treating Customers Fairly (TCF) initiative.

## TREATING CUSTOMERS FAIRLY

The FSB has rolled out TCF principles in South Africa that have been designed to achieve six outcomes:

<b>Outcome 1:</b>	Customers are confident that they are dealing with firms where the fair treatment of customers is central to the firm’s culture.
<b>Outcome 2:</b>	Products and services marketed and sold in the retail market are designed to meet the needs of identified customer groups and are targeted accordingly.
<b>Outcome 3:</b>	Customers are given clear information and are kept appropriately informed before, during and after the time of contracting.
<b>Outcome 4:</b>	Where customers receive advice, the advice is suitable and takes account of their circumstances.
<b>Outcome 5:</b>	Customers are provided with products that perform as firms have led them to expect, and the associated service is both of an acceptable standard and what they have been led to believe.
<b>Outcome 6:</b>	Customers do not face unreasonable post-sale barriers to change a product, switch provider, submit a claim or make a complaint.

Coronation is supportive of the TCF principles, to the extent relevant to our business, and we believe that they are consistent with the objectives required for a long-term, sustainable investment business. Furthermore, the TCF principles are supported by our client charter and set of values that focus on putting clients first, acting ethically and with integrity.

## CONFLICT OF INTEREST

Coronation is obliged to render unbiased and fair financial services to clients. Accordingly, we must take all reasonable steps to avoid any business activities and/or practices that may create conflicts of interest between Coronation and employee interests, and the interests of clients. In the event that it is not possible to avoid a conflict of interest, Coronation will take all reasonable steps to mitigate the impact as well as appropriately disclose any such conflict to clients.

We have identified specific categories of potential conflicts of interest, addressed through the implementation of appropriate policies and procedures, including:

- Gifts and inducements policy
- Outside interests and personal account investing policy
- Insider trading policy

The compliance department monitors compliance with these and related policies. No instances of non-compliance have been noted.

Coronation is committed to conducting business with honesty and integrity, that will facilitate the best results for our clients, and maintain our reputation, the long-term sustainability of our business and a stable working environment. To



this end, our whistle-blowing hotline enables staff to anonymously report dishonest or unethical behaviour. It is managed by an independent third party and monthly reports are provided jointly to the chief executive officer, the independent chairman of the audit and risk committee and the head of global risk and compliance. No incidents have been reported since its inception.

## PERSONAL ACCOUNT INVESTMENTS

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All staff are required to conduct their personal account investments in accordance with the requirements of the outside interests and personal account investing policy. Client interests will always take precedence over staff interests. The policy includes requirements such as:

- All personal account investments must be processed via the internal system.
- Pre-trade approval.
- Prioritisation of client orders and no personal account trades permitted if there are open client orders.
- Minimum holding period of 12 months.
- Provision of broker notes post trade.
- Biannual declaration of broker statements.

In addition, all directors and staff are prohibited from dealing in Coronation shares from the declaration date of a closed period 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.

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.

## CLIENT COMPLAINTS

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We maintain a complaints policy, as well as a complaints procedure: guidelines for clients, which is available on our website. We have established systems and procedures to identify, investigate and resolve client complaints. The compliance department reviews all complaints received on a monthly basis. Material complaints are escalated to the executive committee and the audit and risk committee.

## FINANCIAL SECTOR CODE

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The Financial Sector Charter was gazetted as a sector code in terms of the Broad-Based Black Economic Empowerment Act, No. 53 of 2003, on 26 November 2012. The Charter provides a benchmark for corporate social investment, enterprise development and black procurement. We are currently measured as a Level 3 contributor in terms of the Financial Sector Code.

The corporate social investment budget is set in accordance with the guidelines as stipulated in the Financial Sector Code.

# BUSINESS SUSTAINABILITY

Coronation recognises that the sustainability of the business lies in its ability to produce consistent superior long-term investment performance, provide client service excellence and ensure client and staff retention (as detailed in key focus areas and performance on pages 9 to 16).

At the heart of Coronation's philosophy and behaviour is our commitment to clients. We are conscious that the trust placed in us by clients is not a given or a right, but that it has been hard earned over time, year after year, and can easily be lost. Client satisfaction is key to the sustainability of our business and the essence of our six values and client charter as has been addressed in the relevant parts of this report.

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.

## 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; this 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. Furthermore, ESG considerations are applied in the ongoing monitoring of companies that we hold on behalf of clients. Any areas of concern are raised with the company as part of Coronation's active engagement with companies as described below.

Accordingly, 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.

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 adjacent table. 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 in the Stewardship section of 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:

	2014	2013	2012
Total number of meetings*	200	223	221
Number of resolutions	2 767	2 898	2 918
Voted in favour	2 606	2 702	2 721
Voted against	157	191	195
Abstained from voting	4	5	2

\* AGMs, general and extraordinary general meetings

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

We believe 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 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 UN PRI 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.

## HUMAN CAPITAL

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, and to build and retain an exceptional team of highly motivated and productive people that will ensure the sustainability of the business.

### ATTRACT, MOTIVATE AND RETAIN

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We continue to employ talented black individuals and enrich our already diverse staff complement, currently 53% black and 47% 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 candidates who may not have all the required experience, but who have great potential. A natural consequence in developing this highly marketable grouping is an expected level of attrition for reasons of career advancement and varied job experience. We also have a bursary programme that identifies previously disadvantaged learners – from designated groups – with academic potential and who want to study commerce. 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.

We regularly review staff notice periods to ensure minimal disruption in the event of resignation and to maintain alignment with dynamics in the market. Future talent is

earmarked for succession planning and the appropriate retention mechanisms are put in place to ensure a long-term sustainable business.

We are a client-centred business that relies on the combined intellect of our human capital – the people who walk the corridors of Coronation day in and day out – no matter the cycle of the markets. While we cannot claim to have 'lifers' at Coronation, we do boast a highly stable investment team, where the average tenure is eight years, and an average of six years across the business.

Confidential career discussions are offered by members of the human resources team to support all employees with their career development plans. We experienced limited natural attrition over the year.

### INTEGRATION

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New starters are welcomed through the introduction of *Own it!* – a self-driven online induction programme of senior management video clips detailing all the important aspects of our culture and business. Staff are required to complete the programme with a 100% pass rate within the first two weeks of employment. A further essential for successful integration is to have read and understood Coronation's ethics, policies, strategy and business information. Each quarter, new starters are invited to *Breakfast with the CEO*, an opportunity to ask questions and find out more about what drives Coronation.

The final leg of integration for new starters is the completion of our group coaching programme *Ignite*. Introduced in 2011, this two-month programme of biweekly two-hour sessions is led by an external qualified coach within the first six months of employment. The approach creates shared learning and leverages individual strengths to assist in tackling potential short and medium-term challenges of operating in a high-performance-driven culture. *Ignite* has proved highly successful and has been recognised by participants as a focused learning methodology that has enhanced individual career development and performance.

*Culture and Values* workshops are held once a year by members of the executive committee for both new and existing staff. The protection and survival of our culture are critical to our long-term success, and of particular importance given the growth of the business in recent years and consequent increase in headcount.

## TRANSFORMATION AND SKILLS DEVELOPMENT

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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 Code. 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 are 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 20 (2013: 21) mentors within the business, some of whom focus specifically on mentoring our bursary students. To ensure that we leverage off the diversity of our staff and facilitate open communication, diversity and culture workshops are conducted as part of our continued learning and training programme. During the past year staff participated in *Diversity and Inclusion* workshops.

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. The business supports appropriate training initiatives by providing financial assistance towards tuition fees. We continue to direct a large portion of the company's training spend to black staff. The 2014 total spend increased by 33% to R16 million, of which 58% was allocated to black staff. Furthermore, staff are encouraged to diversify their skills by exploring new positions and responsibilities within the business. All opportunities at Coronation are posted on both an internal and external careers site to facilitate career progression.

Staff are responsible for ensuring that they are equipped with the necessary training to successfully fulfil their function. This may take the shape of formal or on-the-job training. In the case of the latter, staff are required to record a monthly report, including detailed content by both the trainer and trainee. To assist in identifying skills gaps, training menus exist for each role across the business.

The Chartered Financial Analyst (CFA) professional credential is highly coveted in our industry. A candidate who successfully completes the programme is also required to have four years of qualifying investment workplace experience. A significant portion of our total training spend consists of CFA fees and workplace experience as well as international conferences to ensure our staff remain world class. Other areas of training include university qualifications, short courses, including regulatory and product training as well as softer skills training in the form of individual and group coaching, as well as mentorship.

We continue with our successful Coronation workplace experience two-year internship programme, offering unemployed graduates the opportunity to gain valuable work experience. Since its inception in 2012, a total of 17 graduates have benefited from the programme, 12 are currently in place (eight of whom are black) and four have been employed in permanent positions within our client-facing business areas. To further transform the industry, an exciting development is our external intern programme – a partnership with three of our suppliers to provide graduate internships for periods of 12 to 18 months. Scheduled for launch in 2015, the programme is aimed at developing specific skills currently found to be in short supply in the marketplace.

## B-BBEE

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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), 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.

On 30 September 2014, black representation at board level was 50% (2013: 50%) and 60% (2013: 50%) at executive management level.

## ALWAYS PUT CLIENTS FIRST

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Coronation is a client-centric business. This fact is illustrated across our values and forms the fabric of our client charter. In recent years the business has experienced significant asset growth in both the institutional and retail target segments. This has necessitated a considerable increase in the number of staff employed to ensure that we continue to deliver exceptional levels of service. While our total staff complement of 274 reflects an 11% increase for the year ended 30 September 2014, our institutional business team has in fact grown by 100% in the past two years and our retail client service team by 47%.

Consequently, 15% of our total training spend of R16 million was dedicated to the development of client-facing staff over the past year.

## REMUNERATION

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The group's philosophy is to remunerate all of its employees fairly in relation to the market and nature of services provided. 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. 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 67). 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. Executive directors are not employed on fixed-term contracts. The termination of employment period for the CEO and CFO are 12 and 3 months respectively. In addition, restraints of trade are in place for both directors – 12 months for the CEO and 6 months for the CFO.



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

## STAFF DEMOGRAPHICS

The commitment to 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 29% are black, of whom 7% are black females. As at 30 September 2014, 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	2	0	0	1	0	0	0	5
Senior management	1	2	1	8	0	1	1	1	0	0	15
Professionally qualified and experienced specialists and mid-management	6	14	5	52	6	15	5	24	4	0	131
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	3	15	4	6	12	28	7	22	1	0	98
Semi-skilled and discretionary decision-making	2	2	0	0	0	6	0	1	0	0	11
Unskilled and defined decision-making	0	0	0	0	0	0	0	0	0	0	0
<b>Total permanent</b>	<b>12</b>	<b>34</b>	<b>11</b>	<b>68</b>	<b>18</b>	<b>50</b>	<b>14</b>	<b>48</b>	<b>5</b>	<b>0</b>	<b>260</b>
Temporary employees	0	0	0	0	0	2	0	2	0	0	4
<b>Total SA staff</b>	<b>12</b>	<b>34</b>	<b>11</b>	<b>68</b>	<b>18</b>	<b>52</b>	<b>14</b>	<b>50</b>	<b>5</b>	<b>0</b>	<b>264</b>

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

# BUSINESS SUSTAINABILITY CONTINUED

## DIRECTORS' EMOLUMENTS

EXECUTIVE DIRECTORS	Salary and other benefits R'000	Bonus R'000	2014 R'000	2013 R'000
Hugo Nelson*	–	–	–	416
Anton Pillay	1 322	13 949	15 271	10 904
John Snalam#	1 322	2 081	3 403	2 935
<b>Total</b>	<b>2 644</b>	<b>16 030</b>	<b>18 674</b>	<b>14 255</b>

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

# John Snalam's remuneration is reflected from the date of his appointment.

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)).

NON-EXECUTIVE DIRECTORS	Basic fee R'000	Board meetings R'000	Audit and risk committee meetings R'000	Remuneration and nominations committee meetings R'000	Social, ethics and transition formation committee meetings R'000	Total 2014 R'000	Total 2013 R'000
Shams Pather	84	295	96	126		601	428
Judith February	84	160			84	328	233
Jock McKenzie	84	160	96	106		446	309
Alexandra Watson	84	160	159		64	467	331
<b>Total</b>	<b>336</b>	<b>775</b>	<b>351</b>	<b>232</b>	<b>148</b>	<b>1 842</b>	<b>1 301</b>

Emoluments for services rendered to subsidiary companies (excluding share transactions) for the year ended 30 September 2014 were as follows:

NON-EXECUTIVE DIRECTORS	Basic fee R'000	Board meetings R'000	Audit and risk committee meetings R'000	Remuneration and nominations committee meetings R'000	Social, ethics and transition formation committee meetings R'000	Total 2014 R'000
Shams Pather		60				60
Lulama Boyce	27	60				87
Alexandra Watson		60				60
<b>Total</b>	<b>27</b>	<b>180</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>207</b>

There were no emoluments in 2013 as these non-executive directors did not earn fees during the 2013 financial year.

## SOCIAL AND ENVIRONMENTAL CAPITAL

Manufacturing and natural capitals are not material to our business model. 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 utilise video-conferencing facilities in our Cape Town, Johannesburg, Dublin and London offices. We have also implemented the 'greening' of our Cape Town head office 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.

Coronation plays an active role in making a meaningful contribution to the development of the communities in which it operates.

## CORPORATE SOCIAL INVESTMENT

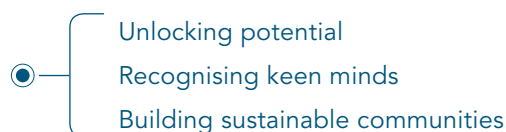
The upliftment of society is an objective shared by all citizens of South Africa. At Coronation, we believe that fundamental to achieving this goal is the empowerment of individuals and communities. Consequently, our approach to corporate social investment (CSI) is about becoming involved in long-term programmes that result in quantifiable change to people's lives.

The CSI committee meets four times a year and comprises selected staff members from across the business. Regular agenda items include the review of all activities and discussion points

around specific issues relating to strategy and budget allocation.

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 totalled R19 million for the 2014 financial year (2013: R15 million), including R7 million (2013: R4.4 million) which was targeted for consumer financial education.

Guided by the findings of an independent CSI review (as reported in our 2011 report) we have streamlined our focus in the area of education. As a result, we have phased out our involvement with the Learner Development Programme, through the Association for Educational Transformation, and the Natural Sciences Programme, through the Western Cape Primary Science Programme Trust (PSP). At the same time, we have reclassified all remaining programmes into the following key activities:



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.

### ● 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.

# BUSINESS SUSTAINABILITY CONTINUED

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

Our current involvement extends to two key programmes:

## THE CORONATION READING ADVENTURE ROOMS

Established in January 2010 in collaboration with Living Through Learning, The Coronation Reading Adventure Rooms programme is aimed at addressing literacy at foundation phase – the cornerstone of 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, educator manuals and the provision of stationery and workbooks for students.

In each of the participating schools, pre-selected classrooms are decorated to create a fun learning environment, creating the feeling of adventure

and fantasy for the students. Foundation-phase educators are trained in the methodology by dedicated Reading Adventure Room facilitators.

Over the year, the addition of five new schools has brought the total number of participating schools to 14. In 2014, the programme directly benefited 39 educators and over 1 500 learners, and since inception indirect beneficiaries have totalled more than 150 educators and 5 000 learners across the entire foundation phase. It has also recorded an impressive 73% average literacy pass rate compared to the average national literacy rate of 66% in these particular schools.

## 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. The programme comprises intensive



foundation-phase mathematics training for teachers, which is run in collaboration with the Western Cape Primary Science Programme Trust. Currently, the programme is in place in 18 primary schools situated in the most disadvantaged communities, involving a total of 172 foundation-phase teachers. This two-year teacher development programme includes intensive individual classroom visits (teacher coaching and support) that are conducted during the first three terms of the school year.

#### ● RECOGNISING KEEN MINDS

The youth are the future of the nation, and the best means of empowering young people is to provide them with opportunities to better and further their education. We are currently involved in two inspiring programmes that we believe create such opportunity:

#### TEACHER DEVELOPMENT

Statistics show that South Africa produces only one third of the 25 000 teachers required per year, particularly in the key learning areas of maths and science. Furthermore, due to poor teacher utilisation, teachers qualified in these

subjects are often deployed in the instruction of non-scarce subjects. Recent research has also found that nearly 80% of Grade 6 maths teachers are unable to successfully complete the very curriculum that they teach to their pupils. (Source: Centre for Development and Enterprise)

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 the country. The programme includes practical classroom training, dedicated mentoring and specialised tuition for students studying Bachelor of Education through Unisa. Currently a total of 30 students are enrolled in the programme, of whom seven are fully integrated into the teaching staff.

#### THE CORONATION BURSARY PROGRAMME

Founded in 1993, this programme provides full tertiary bursaries to a number of bright young previously disadvantaged South Africans. Funding is awarded based on merit and financial need. Students come from across the country and can elect to study at any recognised university within South Africa. Bursary students



are matched with a Coronation mentor to assist in the integration to university life, and offered additional support by trained tutors. During the life of the bursary contract, students can 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.

## ● BUILDING SUSTAINABLE COMMUNITIES

By equipping people with the skills and knowledge to build a sustainable and dignified future, significant strides can be taken in alleviating poverty. At Coronation we support a number of projects that aim to empower South Africans to thrive and provide for their families:

### THE CORONATION GROWING ENTREPRENEURS PROGRAMME

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

The programme trains small-scale emerging farmers across South Africa in the areas of good governance, financial management, practical and legal aspects of farm operations, and recordkeeping, with the aim of commercialising their efforts into a sustainable business. Since inception, a total of 355 agricultural development facilitators have assisted more than 4 500 small-scale black emerging farmers across South Africa.

In 2014, 13 cooperatives received training and mentorship support, benefiting 704 individual farmers. A particular highlight of the year was receiving the news that one of the beneficiaries, Krout Sprout Farm Cooperative in Elandsfontein, Johannesburg, had won almost R300 000 in prizes at the Department of Agriculture, Forestry and Fisheries' provincial and national competitions.

The youth element to Coronation Growing Entrepreneurs is the school garden programmes that have become a source of vegetable supply for school nutrition programmes or feeding schemes. For 2014, we are pleased to report that 288 learners, 74 educators and 26 caretakers across the country benefited, bringing the cumulative total since roll-out in 2010 to approximately 5 580 school learners, 74 educators and 26 school caretakers.

### HABITAT FOR HUMANITY

Habitat for Humanity works in partnership with communities in need by providing housing that contributes to bringing about sustainable change. Coronation's involvement has extended across the last decade. In 2014, we contributed to the building of four homes in Pelican Park in the Western Cape.

To commemorate and honour the legacy of the late Nelson Mandela, we funded the building of two homes in July as part of a bid to build 67 homes in one week. However, our staff really do like to get involved and so they assisted in two physical builds during the year. The first was as part of Women's Day celebrations and the second as participants in Habitat's Corporate Build in the Western Cape.

## CONSUMER FINANCIAL EDUCATION

Consumer financial education, as defined by the Organisation for Economic Co-operation and Development and as adopted by National Treasury, the FSB and ASISA, is essentially the process by which financial consumers/investors improve their understanding of financial products, concepts and risks and, through information, instruction and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being.

Coronation has proactively partnered with ASISA and the FSB in promoting and raising the levels of financial literacy and savings in South Africa through a number of interventions.

We contributed to ASISA's pilot programme in Hammanskraal – Saver Waya-Waya (loosely translated 'to save, on and on' or 'to save continuously') – at its launch in May 2014. The programme was targeted at economically active members of the community and covered topics such as planning, wealth creation, consumption and conservation.

We also contributed towards the FSB's Consumer Education Foundation, a discretionary trust founded by the FSB and governed by independent trustees as a separate entity. The sole purpose of the trust (Foundation) is to fund the financial consumer education initiatives implemented by the Consumer Education Department of the FSB.

The objectives of the Foundation are to:

- Fund, promote or otherwise support consumer financial education, awareness, confidence and knowledge regarding consumer rights, financial products, institutions and services supervised and regulated by the founder.
- Promote the use of regulated financial services by those who have not yet availed themselves of financial products and services available, including the poor and needy.
- Educate pension fund trustees to promote the responsible management of pension funds and protection of pension fund members.
- Educate financial services providers on consumer protection.
- Promote the education of consumers, pension fund trustees and financial services providers so as to serve the needs, interests and well-being of the general public in the field of financial services.
- Promote formal education.

Coronation supports the Foundation in a number of education-related activities that reach consumers identified as rural, youth and university students, as well as pension fund trustees and members. Examples of specific interventions include:

- Training of facilitators to transfer knowledge to identified groups.
- Industrial theatre performances and exhibitions.
- Creation of case study DVDs for trustee toolkit handbook.

# FINANCIAL PERFORMANCE

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2014

	Audited 30 Sept 2014 R million	%	Audited 30 Sept 2013 R million
		Change	
<b>Fund management activities</b>			
<b>Revenue</b>	4 774	31	3 635
Other income	14		3
<b>Operating expenses</b>	(2 171)	28	(1 695)
Share-based payment expense	(1)		(6)
Other expenses	(2 170)		(1 689)
<b>Results from operating activities</b>	2 617	35	1 943
Finance and dividend income	42		27
<b>Finance expense</b>	(4)		–
<b>Share of profit of equity-accounted investee</b>	7		5
<b>Profit from fund management</b>	2 662	35	1 975
<b>Income attributable to policyholder linked assets and investment partnerships</b>	41	(53)	88
Net fair value gains on policyholder and investment partnership financial instruments	59		133
Administration expenses borne by policyholders and investors in investment partnerships	(18)		(45)
<b>Profit before income tax</b>	2 703		2 063
<b>Income tax expense</b>	(699)		(606)
Taxation on shareholder profits	(658)		(518)
Taxation on policyholder investment contracts	(41)		(88)
<b>Profit for the year</b>	2 004	38	1 457
<b>Other comprehensive income (to be reclassified to profit or loss in future periods)</b>	31		24
Foreign currency translation differences for foreign operations	22		21
Net change in fair value of available-for-sale financial assets	9		4
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>	2 035	37	1 481
<b>Profit attributable to:</b>			
– equity holders of the company	2 001	38	1 455
– non-controlling interest	3		2
<b>Profit for the year</b>	2 004		1 457
<b>Total comprehensive income attributable to:</b>			
– equity holders of the company	2 032	37	1 479
– non-controlling interest	3		2
<b>Total comprehensive income for the year</b>	2 035		1 481
<b>Earnings per share (cents)</b>			
– basic	572.1	32	434.0
– diluted	572.1	37	416.1
Note to the statement of comprehensive income			
<b>Headline earnings per share (cents)</b>			
– basic	571.6	32	433.9
– diluted	571.6	37	416.0
<b>Dividend per share (cents)</b>			
– interim	275.0	69	163.0
– final	296.0	17	253.0



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2014

	<b>Audited 30 Sept 2014 R million</b>	Audited 30 Sept 2013 R million
<b>Assets</b>		
Intangible assets	1 088	1 088
Equipment	22	16
Investment in equity-accounted investees	38	34
Deferred tax asset	166	111
Investments backing policyholder funds and investments held through investment partnerships	73 721	70 269
Investment securities	234	175
Trade and other receivables	760	946
Cash and cash equivalents	832	294
<b>Total assets</b>	<b>76 861</b>	<b>72 933</b>
<b>Liabilities</b>		
Long-term borrowings (note 3)	152	–
Deferred tax liabilities	76	78
Policyholder investment contract liabilities and liabilities to holders of interests in investment partnerships	73 647	70 191
Taxation payable	59	11
Trade and other payables	731	646
<b>Total liabilities</b>	<b>74 665</b>	<b>70 926</b>
<b>Net assets</b>	<b>2 196</b>	<b>2 007</b>
<b>Equity</b>		
Share capital and premium	256	256
Retained earnings	1 841	1 570
Reserves	92	177
Total equity attributable to equity holders of the company	2 189	2 003
Non-controlling interest	7	4
<b>Total equity</b>	<b>2 196</b>	<b>2 007</b>

# FINANCIAL PERFORMANCE CONTINUED

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2014

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 2012 (audited)</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 (available to be recycled to profit and loss in future periods)</b>								
Currency translation differences		21				21		21
Revaluation of available-for-sale financial assets					3	3		3
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 in 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 (audited)</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>
<b>Total comprehensive income for the year</b>								
Profit for the year			2 001			2 001	3	2 004
<b>Other comprehensive income (available to be recycled to profit and loss in future periods)</b>								
Currency translation differences		22				22		22
Revaluation of available-for-sale financial assets					9	9		9
Total other comprehensive income	–	22	–	–	9	31	–	31
<b>Total comprehensive income for the year</b>	<b>–</b>	<b>22</b>	<b>2 001</b>	<b>–</b>	<b>9</b>	<b>2 032</b>	<b>3</b>	<b>2 035</b>
<b>Transactions with owners recorded directly in equity</b>								
Share-based payments				1		1		1
Transfer to retained earnings			117	(117)				
Dividends paid			(1 847)			(1 847)		(1 847)
Total transactions with owners	–	–	(1 730)	(116)	–	(1 846)	–	(1 846)
<b>Balance at 30 September 2014 (audited)</b>	<b>256</b>	<b>64</b>	<b>1 841</b>	<b>11</b>	<b>17</b>	<b>2 189</b>	<b>7</b>	<b>2 196</b>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS\***  
FOR THE YEAR ENDED 30 SEPTEMBER 2014

	<b>Audited 30 Sept 2014 R million</b>	Audited 30 Sept 2013 R million
<b>Cash flows from operating activities</b>		
Profit from fund management	2 662	1 975
Non-cash and other adjustments	(38)	(17)
<b>Operating profit before changes in working capital</b>	<b>2 624</b>	1 958
<b>Working capital changes</b>	<b>271</b>	(489)
<b>Cash flows from policyholder and investment partnership activities</b>	<b>(772)</b>	5 399
<b>Cash generated from operations</b>	<b>2 123</b>	6 868
Interest paid	(2)	–
Income taxes paid	(664)	(626)
<b>Net cash from operating activities</b>	<b>1 457</b>	6 242
<b>Cash flows from investing activities</b>		
Finance and dividend income	42	27
Acquisition of equipment	(18)	(12)
Acquisition of investment securities	(40)	(56)
<b>Net cash from investing activities</b>	<b>(16)</b>	(41)
<b>Cash flows from financing activities</b>		
Issue of preference shares	150	–
Dividends paid	(1 847)	(955)
<b>Net cash from financing activities</b>	<b>(1 697)</b>	(955)
(Decrease)/increase in cash and cash equivalents	<b>(256)</b>	5 246
Net increase/(decrease) in cash and cash equivalents – shareholders	<b>516</b>	(153)
Net (decrease)/increase in cash and cash equivalents – policyholders and investment partnerships	<b>(772)</b>	5 399
Cash and cash equivalents at beginning of year	<b>15 076</b>	9 809
Cash and cash equivalents at beginning of year – shareholders	<b>294</b>	426
Cash and cash equivalents at beginning of year – policyholders and investment partnerships	<b>14 782</b>	9 383
Effect of exchange rate fluctuations on cash held	22	21
<b>Cash and cash equivalents at end of year</b>	<b>14 842</b>	15 076
Cash and cash equivalents at end of year – shareholders	<b>832</b>	294
Cash and cash equivalents at end of year – policyholders and investment partnerships	<b>14 010</b>	14 782

\* Cash and cash equivalents of policyholders and investment partnerships are not available for use by the group. These amounts represent the net cash flows from contributions and withdrawals and related investing activities.

# FINANCIAL PERFORMANCE CONTINUED

## RECONCILIATION OF HEADLINE EARNINGS

	<b>Audited 30 Sept 2014 R million</b>	Audited 30 Sept 2013 R million
<b>Earnings attributable to ordinary shareholders</b>	<b>2 001</b>	1 455
Effect of adjustments	(2)	–
Profit on disposal of available-for-sale financial assets	–	(1)
(Gain)/loss on disposal of group operations	(2)	1
<b>Headline earnings attributable to ordinary shareholders</b>	<b>1 999</b>	1 455

## DILUTED NUMBER OF SHARES

	<b>Audited 30 Sept 2014 '000</b>	Audited 30 Sept 2013 '000
<b>Weighted average number of shares in issue during the year</b>	<b>349 799</b>	335 328
Shares to be issued		
– BEE transaction	–	14 434
<b>Diluted weighted average number of shares in issue</b>	<b>349 799</b>	349 762

## CONDENSED CONSOLIDATED SEGMENT REPORT

	Africa		International		Group	
	<b>Audited 30 Sept 2014</b>	Audited 30 Sept 2013	<b>Audited 30 Sept 2014</b>	Audited 30 Sept 2013	<b>Audited 30 Sept 2014</b>	Audited 30 Sept 2013
R million						
Segment external revenue	<b>3 260</b>	2 871	<b>1 514</b>	764	<b>4 774</b>	3 635
Segment operating expenses	<b>(1 427)</b>	(1 310)	<b>(744)</b>	(385)	<b>(2 171)</b>	(1 695)
Segment profit	<b>1 833</b>	1 561	<b>770</b>	379	<b>2 603</b>	1 940
Share of income of equity accounted investee	<b>7</b>	5	–	–	<b>7</b>	5
Net finance and other income/(expense)	<b>56</b>	30	<b>(4)</b>	–	<b>52</b>	30
Profit from fund management	<b>1 896</b>	1 596	<b>766</b>	379	<b>2 662</b>	1 975
Income attributable to policyholder linked assets and investment partnerships					<b>41</b>	88
Profit before income tax					<b>2 703</b>	2 063
Segment assets	<b>1 329</b>	1 172	<b>519</b>	259	<b>1 848</b>	1 431
Investments backing policyholder funds and investments held through investment partnerships and other assets					<b>75 013</b>	71 502
<b>Total assets</b>					<b>76 861</b>	72 933

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The financial information has been prepared in accordance with the framework concepts and the measurement and recognition requirements of the International Financial Reporting Standards ('IFRS'); the International Accounting Standard 34 Interim Financial Reporting; the Listings Requirements of the JSE Limited; the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, as well as the South African Companies Act, Act 71 of 2008. The condensed consolidated financial statements do not include all of the information required for full annual financial statements.

These condensed consolidated financial statements have been prepared in accordance with the historical cost basis except for certain financial instruments, which are stated at fair value. The condensed consolidated financial statements are presented in rand, rounded to the nearest million. The consolidated financial statements, that was the basis for the consolidated condensed financial statements, have taken into account the requirements of IFRS 13 Fair Value Measurement, IFRS 12 Disclosure of Interests in Other Entities and the amended IAS 34 Interim Financial Reporting, which became effective during the current period. The impact of these requirements resulted in additional disclosures relating to fair value measures and interest in other entities being included in the annual financial statements. Other standards that have become effective have been considered and have no material impact. The accounting policies applied in the presentation of the condensed financial statements are in terms of IFRS and, except as noted above, are consistent with those presented in the previous annual financial statements.

These reviewed results have been prepared under the supervision of financial manager, A Rhoda CA(SA).

### 2. RELATED PARTY TRANSACTIONS

The group, in the ordinary course of business, entered into various sale and purchase transactions on an arm's length basis at market rates with related parties.

### 3. LONG-TERM BORROWINGS

Cumulative redeemable preference shares were issued by Coronation Investment Management (Pty) Ltd on 31 March 2014 in order to recapitalise licensed subsidiary companies for regulatory capital adequacy requirements. Dividends, linked to prime, are payable on a quarterly basis with capital repayment being due on 31 March 2017.

# FINANCIAL PERFORMANCE CONTINUED

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### 4. FAIR VALUE DISCLOSURE

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities. The fair value of policyholder and investment partnership liabilities that are included in Level 1 of the hierarchy, are measured with reference to the quoted prices in an active market of the investments underlying the liabilities.
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as closing prices) or indirectly (i.e. derived from closing prices). The majority of Level 2 investments are deposits held with financial institutions. The fair values of these deposits are determined using a discounted cash flow valuation methodology based on market rates, reflecting the time value of money and counter party credit risk. The fair values of the policyholder and investment partnership liabilities included in Level 2, are measured with reference to the fair values of the mentioned assets underlying these liabilities.
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
<b>Sept 2014</b>				
Investments backing policyholder funds and investments held through investment partnerships	59 482	8 563	–	68 045
Investment securities	206	–	28	234
	59 688	8 563	28	68 279
Policyholder and investment partnership liabilities	57 171	8 449	–	65 620
<b>Sept 2013</b>				
Investments backing policyholder funds and investments held through investment partnerships	52 355	12 660	–	65 015
Investment securities	154	–	21	175
	52 509	12 660	21	65 190
Policyholder and investment partnership liabilities	50 752	12 548	–	63 300

During the financial period ended 30 September 2014, there were no transfers of financial assets between the levels.

Level 3 investments which arose during the current year have not been valued and are carried at cost. No gain or loss has been recognised.

Cash balances of R5 325 million (2013: R5 084 million) have been excluded in the current and prior years respectively.

Short positions of R2 350 million (2013: R1 636 million) are classified as Level 1 (refer note 14) and are measured with reference to the underlying listed instrument being shorted.

## 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.

# 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>FSC</b>	Financial Sector Code
<b>GEM</b>	Global Emerging Markets
<b>GIPS</b>	Global Investment Performance Standards
<b>GRI</b>	Global Reporting Initiative
<b>ICI</b>	Investment Company Institute
<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>MOI</b>	Memorandum of incorporation
<b>POA</b>	Principal Officers' Association in South Africa
<b>RDR</b>	Retail Distribution Review
<b>SAICA</b>	South African Institute of Chartered Accountants
<b>SARB</b>	South African Reserve Bank
<b>SENS</b>	Stock Exchange News Service
<b>TCF</b>	Treating Customers Fairly
<b>UN PRI</b>	United Nations' Principles for Responsible Investment
<b>USD</b>	US dollar

# NOTICE TO SHAREHOLDERS

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

Notice is hereby given that the 41st annual general meeting ('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, 15 January 2015, at 10:00.

The record date to receive the notice of the Meeting, determined in accordance with section 59(1)(a) of the Companies Act, No. 71 of 2008, as amended ('the Act'), is Friday, 5 December 2014, 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 Meeting. The record date for the Meeting, determined in accordance with section 59(1)(b) of the Act, is Friday, 9 January 2015, 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 Meeting. The last day to trade to be able to participate in and vote at the Meeting is Friday, 2 January 2015.

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

Votes at the Meeting will be taken by way of a poll and not on a show of hands. Any shareholder 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 shareholder 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 2014, together with the reports by the directors, the external auditors and the audit and risk committee, were uploaded onto the website [www.coronation.com](http://www.coronation.com) on 24 November 2014.

## ORDINARY RESOLUTIONS

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### ORDINARY RESOLUTION NUMBER 1

- a) To re-elect, by way of a separate vote, Mr Jock McKenzie, who retires by rotation in accordance with the provisions of the Company's Memorandum of Incorporation ('MOI'), but is eligible and available for re-election.
- b) To re-elect, by way of a separate vote, Ms Judith February who retires by rotation in accordance with the provisions of the Company's MOI, but is eligible and available for re-election.
- c) To confirm and approve the appointment of Ms Lulama Boyce as a director effective 7 October 2014.

A profile in respect of each director is set out on pages 20 and 21. The re-election of the directors of the board will be conducted by way of a separate vote in respect of each individual.



## ORDINARY RESOLUTION NUMBER 2

To appoint, as recommended by the audit and risk committee, EY as the Company's registered auditors and to note Mr MP Rapson as the designated audit partner.

## ORDINARY RESOLUTION NUMBER 3

To re-elect 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 re-election to the audit and risk committee is contained on pages 20 and 21. The re-election 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

### SPECIAL RESOLUTION NUMBER 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 or other persons as mentioned in Section 44 and 45 of the Act, pursuant to the authority hereby conferred upon the board for these purposes.

### Reason for 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. This does not include directors.

### SPECIAL RESOLUTION NUMBER 2

To approve the Company's remuneration to non-executive directors for their services as directors in respect of the following:

	Year ending 30 September 2015 R'000
<b>Basic fees</b>	<b>90</b>
Chairman	90
Non-executive director	90
<b>Attendance fees per meeting</b>	
Board – chairman	75
Board – non-executive director	43
Audit and risk committee – chairman	70
Audit and risk committee – non-executive director	43
Social, ethics and transformation committee – chairman	45
Social, ethics and transformation committee – non-executive director	43
Remuneration and nominations committee – chairman	45
Remuneration and nominations committee – non-executive director	43

**Note:**

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

# NOTICE TO SHAREHOLDERS CONTINUED

## Reason for 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 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.

## SPECIAL RESOLUTION NUMBER 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 is passed by the board of directors authorising 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 do 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 has been submitted to the JSE in writing prior to the commencement of the Company's prohibited period. The Company will instruct an independent third party, which makes its investment decisions in relation to the Company's securities independently of, and uninfluenced by, the Company, prior to the commencement of the prohibited period to execute the repurchase programme submitted to the JSE.
- Such repurchase shall be subject to compliance with the Act, the Company's MOI and the Listings Requirements of the JSE.

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 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, 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, 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.

- 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.
- 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.
- 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 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 is included, at the places indicated:

- Major shareholders (page 17 of the Integrated Annual Report).
- 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.

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 Meeting contains all information required by law and the Listings Requirements of the JSE.

# NOTICE TO SHAREHOLDERS CONTINUED

## VOTING AND PROXIES

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Each ordinary resolution to be considered at the Meeting requires the support of more than 50% of the voting rights exercised on the resolution in order to be adopted, unless otherwise stipulated.

Each special resolution to be considered at the Meeting requires the support of at least 75% of the voting rights exercised on that resolution, in order to be adopted.

In terms of the Listings Requirements of the JSE, equity securities held by a share trust or scheme established by the Company will not have their votes at the Meeting taken into account for the purposes of resolutions proposed in terms of the Listings Requirements of the JSE.

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

Shareholders 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 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 Meeting in person, but wish to be represented thereat.

The attention of the shareholders 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).

## ELECTRONIC PARTICIPATION

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Should any shareholder (or a representative or proxy for a shareholder) wish to participate in the Meeting by way of electronic participation, that shareholder should make an application in writing (including details as to how the shareholder or its representative (including its proxy) can be contacted) to so participate, to the Company Secretary, PO Box 44684, Claremont 7735, South Africa, or via email: [Rswart@coronation.co.za](mailto:Rswart@coronation.co.za), to be received by the Company Secretary at least 7 business days prior to the Meeting (i.e. Thursday, 8 January 2015) in order for the Company Secretary to arrange for the shareholder (or its representative or proxy) to provide reasonable satisfactory identification to the Company Secretary for the purposes of section 63(1) of the Act and for the Company Secretary to provide the shareholder (or its representative or proxy) with details as to how to access the Meeting by means of electronic participation. Shareholders participating electronically will not be able to vote electronically and must follow the standard voting arrangements indicated above. The Company reserves the right not to provide for electronic participation at the Meeting in the event that it determines that it is not practical to do so, or an insufficient number of shareholders (or their representatives or proxies) request to so participate.

By order of the board

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

5 December 2014

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')

41st annual general meeting of shareholders

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

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

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

being a shareholder of the abovementioned Company and holding \_\_\_\_\_

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

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

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

the chairman of the annual general 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, 15 January 2015, at 10:00 and any cancellation, postponement and adjournment thereof.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2015

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 Jock McKenzie who is eligible and available for re-election			
	b) To re-elect, by way of a separate vote, retiring director Ms Judith February who is eligible and available for re-election			
	c) To confirm and approve the appointment of Ms Lulama Boyce as a director effective 7 October 2014			
2.	To confirm the appointment of EY as the Company's registered auditors and to note Mr MP Rapson as the designated audit partner			
3.	To re-elect audit and risk committee members each by way of a separate vote:			
	a) To re-elect Prof Alexandra Watson			
	b) To re-elect Mr Shams Pather			
	c) To re-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 2015, 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 shareholder's total holding.

Any shareholder 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 shareholder of the Company.

# FORM OF PROXY CONTINUED

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

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1. Only shareholders who hold certificated shares and shareholders who have dematerialised their shares with 'own name' registration may use this form of proxy.
2. Each shareholder is entitled to appoint one or more proxies (none of whom needs be a shareholder of the Company) to attend, speak and, on a poll, vote in place of that shareholder at the annual general meeting, by inserting the name of the proxy or the names of two alternate proxies of the shareholder'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 shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder 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 shareholder's votes exercisable thereat.
4. A shareholder 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 shareholder 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, 13 January 2015.
6. The completion and return of this form of proxy in accordance with point 5 above will not preclude the relevant shareholder 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 shareholder 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 shareholders. If more than one of those shareholders 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 shareholder wishes to vote.

## SHAREHOLDERS HOLDING DEMATERIALISED SHARES

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1. Shareholders who have dematerialised their shares through a Central Securities Depository Participant (CSDP) or broker (except those shareholders who have elected to dematerialise their shares with 'own name' registration) and all beneficial shareholders 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.
  2. All such shareholders wishing to attend the meeting in person may do so only by requesting their CSDP, broker or nominee to issue the shareholder 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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**CAPE TOWN** 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

**JOHANNESBURG** 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

**PRETORIA** 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

**DURBAN** Suite 6, 15 The Boulevard, Westway Office Park, Westville 3635  
Telephone: +27 (0)87 354 0508

**GABORONE** 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

**LONDON** 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

**DUBLIN** 11 Central Hotel Chambers, Dame Court, Dublin 2, Ireland  
Telephone: +353 (0)1 674 5410 Fax: +353 (0)1 674 5411