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INTEGRATED ANNUAL REPORT  
2016

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TRUST IS EARNED™



## 2016

Runner-up Best Large Fund House – 2016 Morningstar South Africa Awards

Runner-up South African Management Company of 2015 (awarded in 2016) – Raging Bull Awards

Best Africa Fund Manager – Ai Capital Markets Index Series Awards

Rated Level 3 – Financial Sector Code

AUM: R599 billion

Employee Complement: 290

Employee Ownership: 25%

## 2015

Best Large Fund House – 2015 Morningstar South Africa Awards

Best South African Management Company of 2014 (awarded in 2015) – Raging Bull Awards

Batseta Imbasa Yegolide Awards:  
• Equities Manager of the Year  
• Global Manager of the Year

Overall winner – Financial Mail Top Companies 2015

Rated Level 3 – Financial Sector Code

AUM: R610 billion

Employee Complement: 278

Employee Ownership: 25%

## 2014

Best Large Fund House – 2014 Morningstar South Africa Awards

Top Performing Company over 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: R588 billion

Employee Complement: 274

Employee Ownership: 24%

## 2013

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: R492 billion

Employee Complement: 246

Employee Ownership: 25%

## 2008

Launch of two Africa portfolios

AUM: R125 billion

Employee Complement: 174

Employee Ownership: 31%

## 2007

Signatory to the United Nations' Principles for Responsible Investment (UN PRI)

Launch of Global Emerging Markets unit trust fund

Launch of Africa unit

AUM: R134 billion

Employee Complement: 169

Employee Ownership: 31%

## 2006

Formation of PPS Investments

Symmetry Hedge Fund Award – Coronation Granite Fixed Income

AUM: exceed R100 billion

Employee Complement: 155

Employee Ownership: 28%

## 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 Invula Trust – our B-BBEE partner

Closure of Absolute Return unit to new institutional investors

AUM: R82 billion

Employee Complement: 140

## 2000

Runner-up Raging Bull Unit Trust Company of the Year

AUM: R44 billion

Employee Complement: 96

## 1999

First to introduce absolute return products to the South African market

London operation established

Revolutionised industry by offering pooled products through Coronation Life Assurance Company

AUM: R28 billion

Employee Complement: 80

## 1998

Dublin operation established

Three new unit trusts launched

Established FinSource (now Maitland Fund Services), a provider of outsourced back-office services

AUM: R26 billion

Employee Complement: 72

## 1997

Formation of Namibia Asset Management and Namibia Unit Trust Managers

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

AUM: exceed R20 billion

Employee Complement: 52

# 2012

Best Large Fund House – 2012 Morningstar South Africa Awards

Best Africa Fund Manager – Ai 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: R339 billion

Employee Complement: 218

Employee Ownership: 29%

# 2011

Best Large Fund House – 2011 Morningstar South Africa Awards

Africa Fund Manager Performance Award for Coronation Top 20 South Africa (Best South Africa Equity Fund of the Year)

POA Imbasa Yegolide Awards:

- Equities Manager of the Year

Rated Level 4: Generic Codes on B-BBEE

AUM: R247 billion

Employee Complement: 201

Employee Ownership: 29%

# 2010

Best Africa Fund Manager – Ai Index Series Awards

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

Employee Complement: 189

Employee Ownership: 30%

# 2009

Reopened Absolute Return unit to new institutional investors

Rated Level 4: Generic Codes on B-BBEE

AUM: R155 billion

Employee Complement: 181

Employee Ownership: 30%

# 2004

Raging Bull Unit Trust Company of the Year

AUM: R64 billion

Employee Complement: 138

# 2003

Publicly listed on the Johannesburg Stock Exchange

Runner-up Raging Bull Unit Trust Company of the Year

Best Larger Unit Trust Group over 1 year – Financial Mail/Standard & Poor's Awards

First asset manager in South Africa to gain GIPS compliance

Best Unit Trust Provider in PwC Survey of SA Bankers

AUM: R54 billion

Employee Complement: 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

AUM: R60 billion

Employee Complement: 131

# 2001

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

AUM: R48 billion

Employee Complement: 116

# 1996

Unit Trust company formed

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

Launched equity long/short hedge fund

AUM: R12 billion

Employee Complement: 50

# 1995

Appointed to manage first large institutional client in Swaziland

AUM: more than double to exceed R7 billion

Employee Complement: 31

# 1994

First democratic elections in South Africa

Upper quartile in all investment performance surveys

AUM: R3 billion

Employee Complement: 19

# 1993

Investment team forms Coronation Fund Managers and starts managing third-party assets

Employee Complement: 18



2016

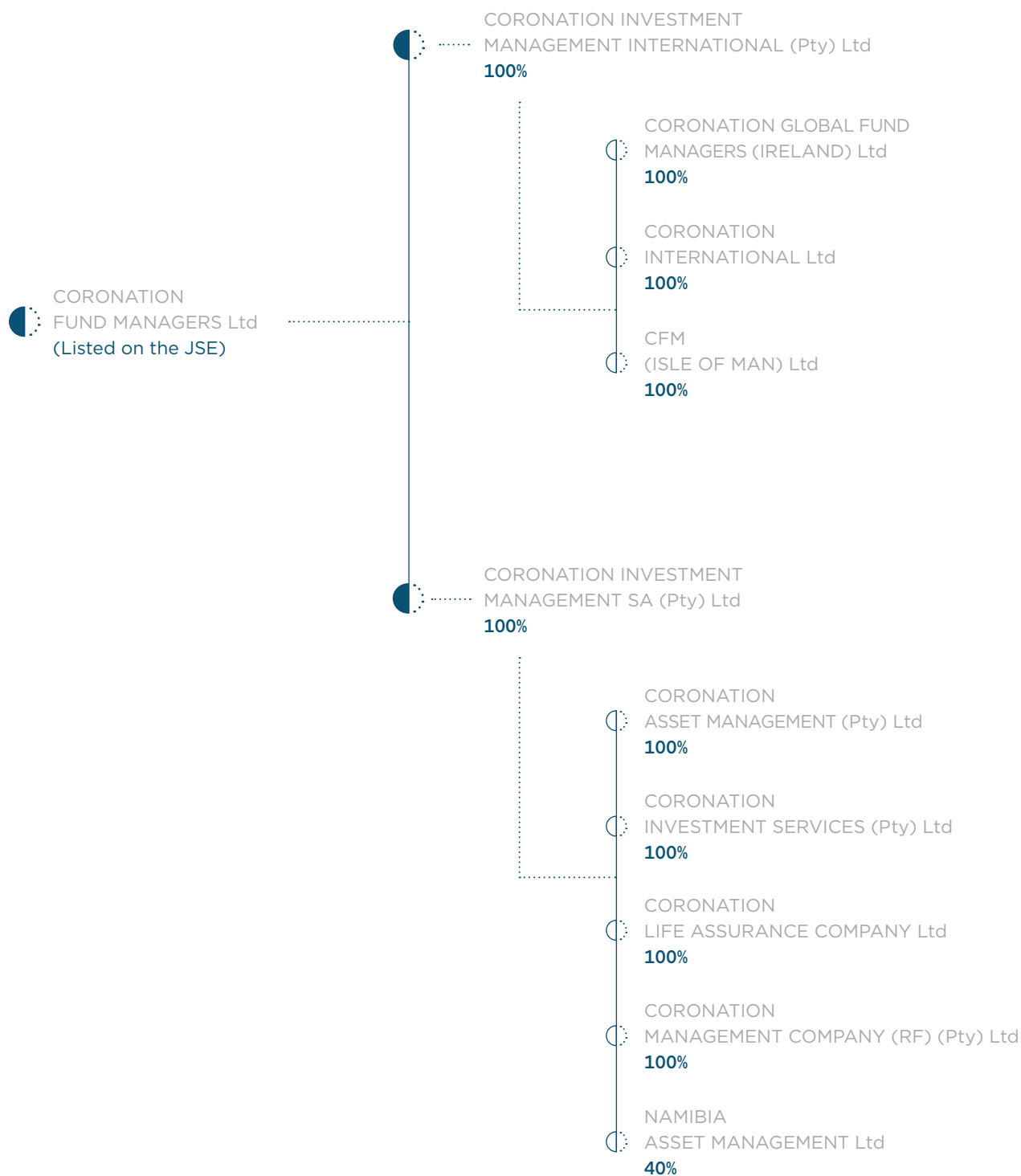
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# CORPORATE STRUCTURE



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# SCOPE OF THE REPORT

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

Compiled, where applicable, in compliance with International Financial Reporting Standards (IFRS), the Companies Act, No. 71 of 2008, as amended, the Listings Requirements of the Johannesburg Stock Exchange (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, and 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 25 to 27 for specific information on human and intellectual capital. Social and relationship capital is addressed within stakeholder communication on pages 16 to 19, and as part of social impact investing on pages 74 to 79. The financial performance of the business is provided on pages 80 to 87.

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

## DIRECTORS' APPROVAL .....

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 accordingly been approved for the year ended 30 September 2016.

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)).

**Shams Pather**  
*Independent non-executive chairman*

**Anton Pillay**  
*Chief executive officer*





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# CORPORATE INFORMATION

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

Tuesday, 14 February 2017 at 11:30  
ISIN: ZAE000047353

## BOARD OF DIRECTORS

Shams Pather\* (chairman)  
Anton Pillay (chief executive officer)  
John Snalam (chief financial officer)  
Lulama Boyce\*  
Judith February\*  
Jock McKenzie\*  
Hugo Nelson\* (appointed 7 November 2016)  
Alexandra Watson\*

\* *Independent non-executive directors*

## TRANSFER SECRETARIES

Computershare Investor Services (Pty) Ltd  
Rosebank Towers  
15 Biermann Avenue  
Rosebank 2196

## 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

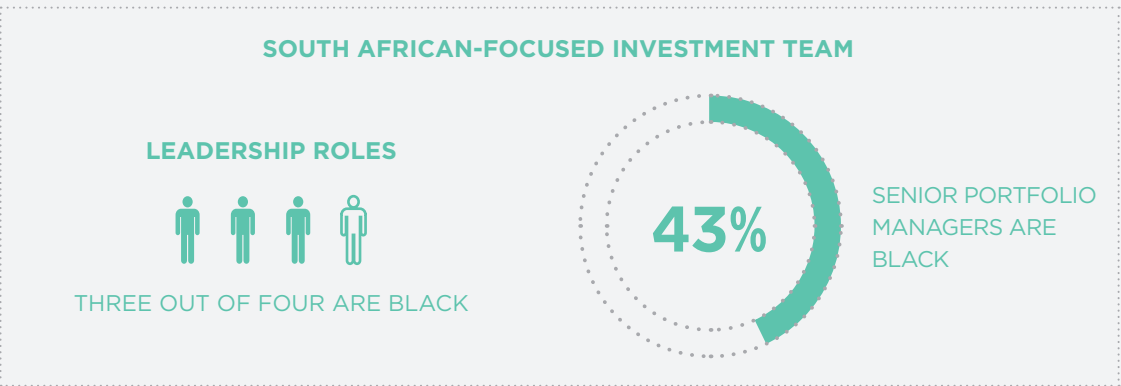
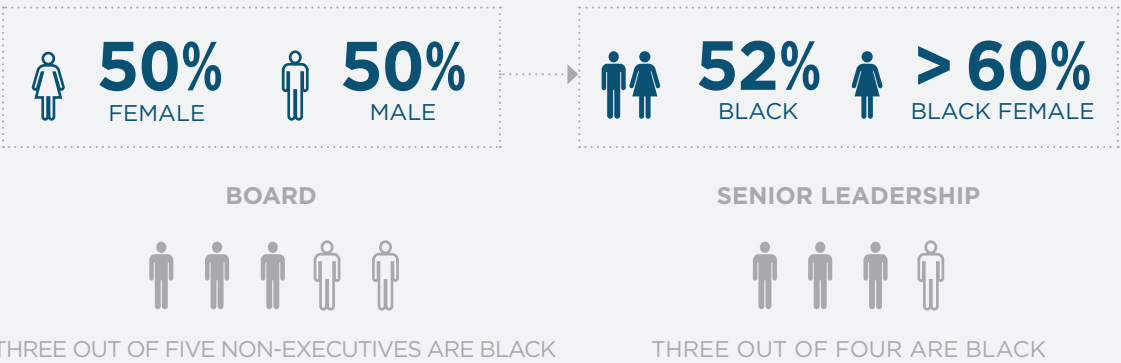
# AT A GLANCE

- INVESTMENT LED
- CLIENT CENTRIC
- CULTURE OF PERFORMANCE
- EXCEPTIONAL LONG-TERM INVESTMENT TRACK RECORD SPANNING 23 YEARS
- IMPRESSIVE TRANSFORMATION ACHIEVEMENTS

## OWNERSHIP



## DIVERSITY



## DEPTH OF INVESTMENT SKILL



## LONG-TERM INVESTMENT PERFORMANCE .....

Our institutional and retail clients who have been invested with us for meaningful periods of time have enjoyed exceptional returns.

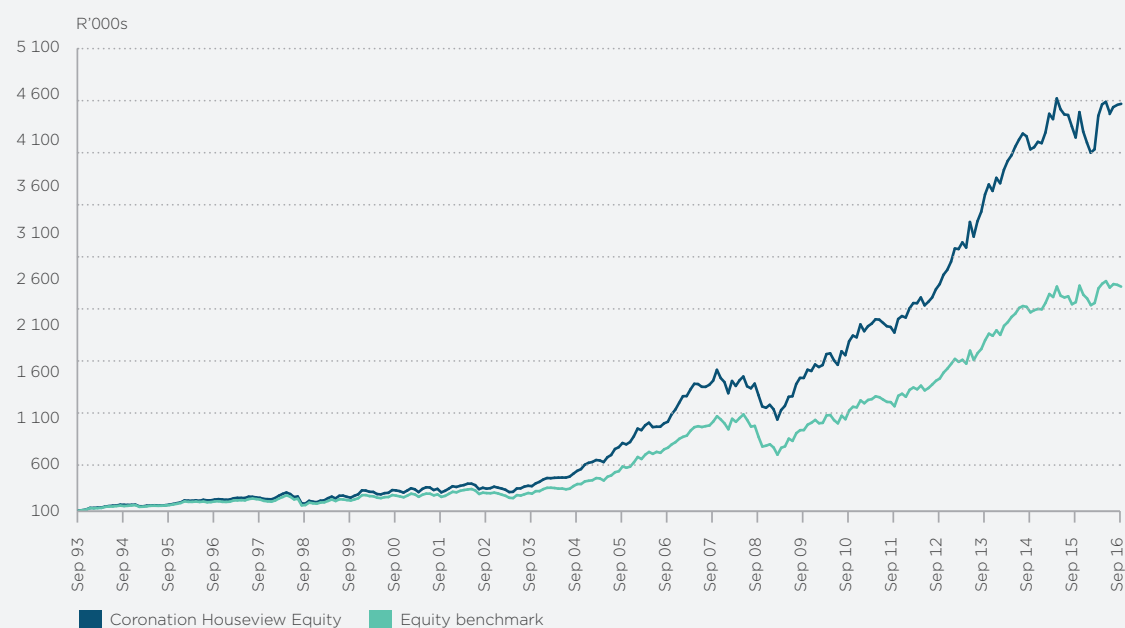
### Institutional assets:

- More than 95% have outperformed their respective benchmarks over 10 years
- 100% have outperformed their benchmarks over 20 years
- More than 95% of those clients who have been invested with us for more than 10 years have outperformed their benchmarks since inception

### Retail assets:

- More than 90% have outperformed their respective benchmarks over 10 years
- 100% have outperformed their benchmarks over 20 years
- More than 95% of those clients who have been invested with us for more than 10 years have outperformed their benchmarks since inception

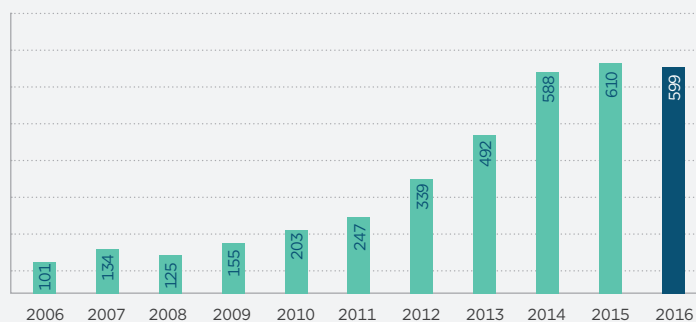
### A 23-year track record of market outperformance:



An investment of R100 000 in Coronation Houseview Equity on 1 October 1993 would have grown to R4 543 169 by 30 September 2016. By comparison, the returns generated by the Equity Benchmark over the same period would have grown a similar investment to R2 521 691.

## ASSET UNDER MANAGEMENT .....

# R599 bn



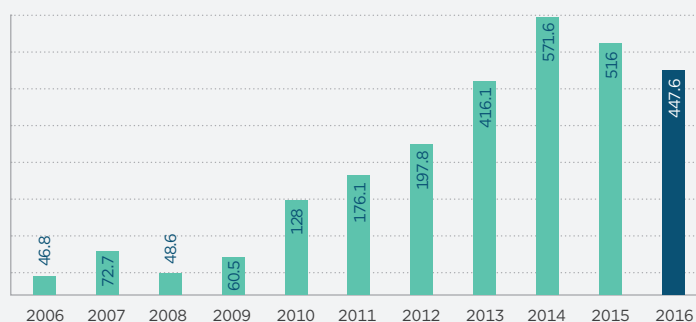
## KEY PERFORMANCE INDICATORS

A visual representation of the shareholder value created in the execution of our strategy to deliver consistent long-term investment performance for our clients.

# 447.6 cents

DILUTED HEADLINE EARNINGS PER SHARE  
DOWN 13.3%

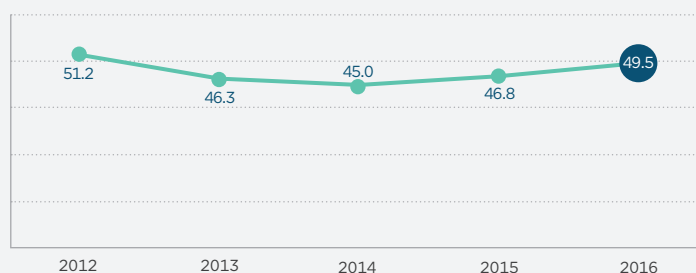
2015: 516 cents



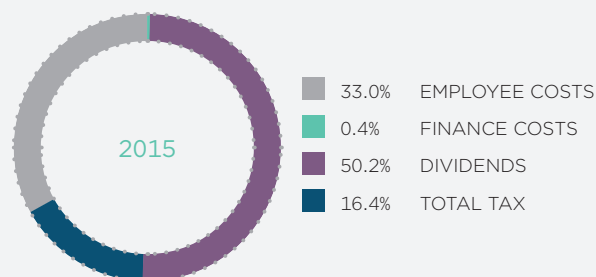
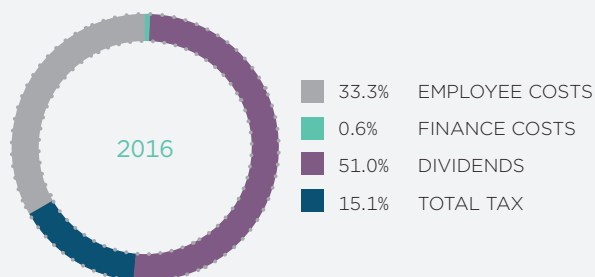
# 49.5%

COST-TO-INCOME RATIO  
UP 2.7%

2015: 46.8%



## VALUE ALLOCATION TO STAKEHOLDERS

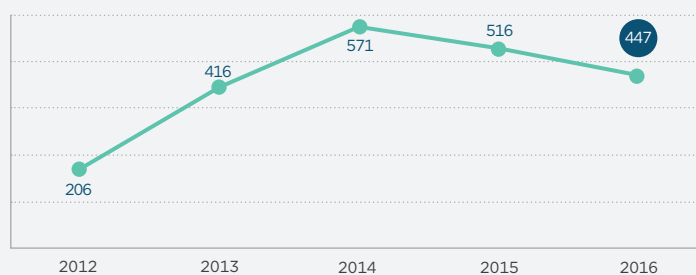


# 447 cents

DIVIDEND DISTRIBUTIONS

DOWN 13.4%

2015: 516 cents

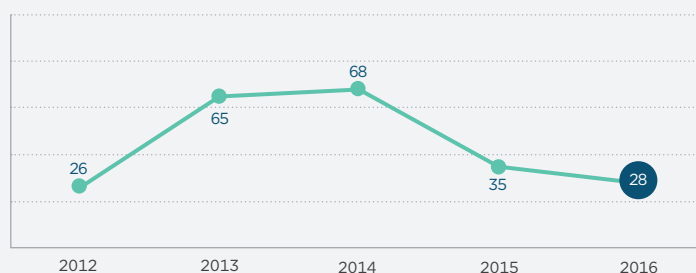


# 28%

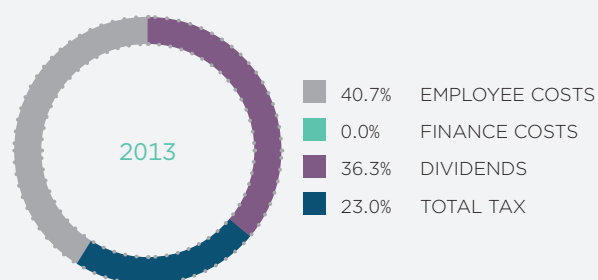
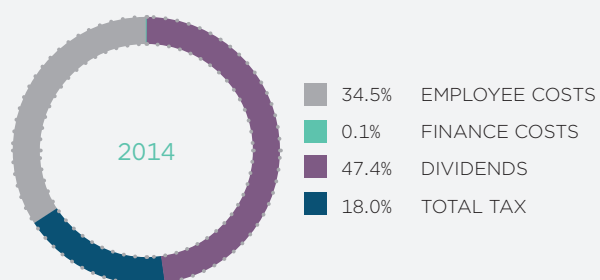
ROLLING FIVE-YEAR TOTAL RETURN (% P.A.)\*

DOWN 7%

2015: 35%



\* Cumulative return based on share price and dividends paid.



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# BUSINESS OVERVIEW

## OUR VISION AND STRATEGY .....

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 and deliver consistent long-term investment performance. Our relentless commitment to the long term is the defining characteristic of our company. It is a key competitive advantage in our investment philosophy and is deeply embedded in the way we run the business. We operate in a highly competitive industry and remain committed to delivering on our promise to clients.

We will continue to nurture and defend our formidable South African institutional business and invest in the growth of our global product range to our offshore client base. Within our retail business, which manages assets on behalf of individual investors in South Africa, we will continue to build an enhanced client service experience and remain distribution agnostic, providing appropriately priced product to investors, irrespective of their chosen point of access. Our leadership position in investment management in South Africa provides us with the expertise to further grow our global offering to international clients through the introduction of funds that satisfy their long-term return expectations.

We pursue a return objective of generating alpha (market outperformance on client mandates); we are not asset gatherers and place the needs of our clients at the centre of all decision-making.

## OUR BUSINESS MODEL .....

Coronation Fund Managers was founded in Cape Town, South Africa in 1993 by a group of investment professionals who left an established institution to start a dedicated fund management business. With zero assets and zero clients, their objective was to build a world-class, investment-led and independent fund manager. Today, Coronation is 25% employee-owned and a leading brand in the South African investment industry.

Coronation is an active investment manager with a long-term valuation-driven investment approach. Our sole focus is to earn our clients' trust by generating excellent investment performance over the long term. As an independent fund manager, unlike fund managers housed within large financial services groups, we do not have the safety net of in-house assets. All of our clients have allocated assets to us because they trust us to manage their capital – we are on 24 hours' notice with all our clients. We have built a compelling track record of putting our clients first and growing the business organically. At the heart of the organisation is a single global investment team and process, which are fully integrated with risk management and corporate governance.

Headquartered in Cape Town, South Africa, we also have offices in London, Dublin, Johannesburg, Durban and Pretoria. Where appropriate, operational functions are outsourced to third-party service providers.

Over the last decade, we have built out our global fund range with the goal of replicating our success in the South African market. The initiative has been a great success, with all funds delivering compelling long-term investment performance. Our ability to attract international clients on the back of this performance has, thus far, exceeded our expectations.



As an active manager, our prospects depend on our ability to add value (long-term market outperformance) to the assets we manage on behalf of clients. The defining feature of our investment philosophy is its long time horizon. We manage our clients' assets for the long term and assess our performance over meaningful and long periods of time (typically in excess of five years) (refer to pages 21 and 22). This is a key driver for both the level of returns to shareholders and our employee remuneration, which ensures alignment of stakeholder objectives. Please refer to our remuneration report on pages 59 to 69.

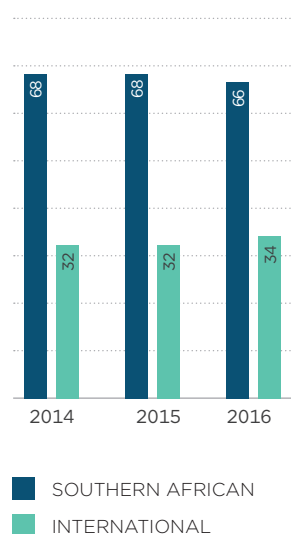
The company's only significant assets are its people. Very few fund managers deliver market-beating portfolios over multi-decade periods as Coronation has done. It is important to note that this achievement is as a result of our people and our robust investment process. For the company to be sustainable, it is critical that we attract, retain and motivate exceptional people across every area of our business.

The cyclical nature of our business means that the level of assets under management may move up or down. Financial markets are cyclical and, as a long-term manager, our short-term alpha is highly volatile, which is unlikely to result in a smooth earnings stream. Short-term volatility is intrinsic in our business model and shareholders should assess the business by looking at the long-term value it has delivered over a meaningful time period (refer to pages 8 and 9).

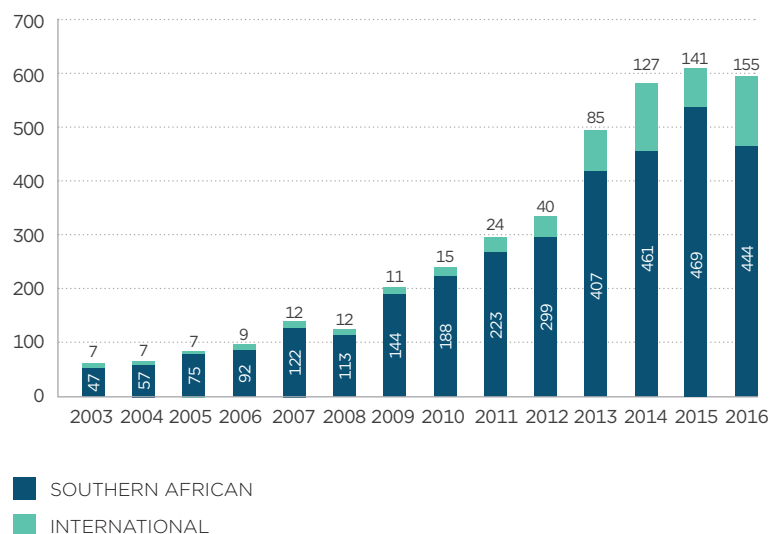
All asset managers are constrained by the size of assets they can manage. If they become too large, their ability to outperform markets is undermined. It is for this reason that we closed the institutional SA Equity product range and the Balanced and Absolute Return range to new clients in 2012 (representing more than 80% of institutional assets at the time). Consequently, investors should not view Coronation as a growth business, but as a high-yielding cash-generative business.

Our primary client market segments are Southern Africa and International.

REVENUE SPLIT (%)



ASSETS UNDER MANAGEMENT SPLIT (Rbn)



## OUR CULTURE

Nurturing our unique culture is critical to the integrity of our investment philosophy and to achieving the long-term objectives of the business. Over our history, we have developed and nurtured a performance-driven culture that, to this day, has the same entrepreneurial flair that defined Coronation at inception. It is encoded in our DNA.

We know that without clients we do not have a business, and are committed to ensuring that in every decision-making process our clients come first. We also understand the important role played by our people in delivering on our promise to clients, which is why long-term ownership is a critical aspect of our culture. As an independent asset manager, our only significant assets are our people. Currently, 25% of the business is owned by employees, with leadership that operates on a partnership basis. The ownership culture is further entrenched by the founding policy of employees sharing in the success of the business.

By creating the right environment for personal and professional growth, we engender accountability and responsibility for the long-term success of the business. We are unambiguously a meritocracy.

We believe that a clearly articulated culture that drives performance and excellence gives us a competitive advantage. We are passionate about the six shared values that define our culture, shape our principles and inform our behaviour:



### OWNERSHIP

We firmly believe an asset management company that is not owner managed will ultimately fail. Ownership empowers employees and entrenches long-term thinking across all areas of the business. This aligns with our investment philosophy, business objectives and approach to how we remunerate employees. The long-term investment in our people, and our business, is reflected in the number of employees who participate in long-term incentives, with vesting periods which extend as far as 2021 (refer to page 68). Ownership aligns employees' interests with those of all stakeholders.



### ALWAYS PUT CLIENTS FIRST

Our business is built on always putting clients first. As an active manager, our primary focus is on the delivery of exceptional performance across all the portfolios that we manage. We are on 24 hours' notice with all our clients, and our retail distribution is through the non-affiliated channels of independent financial advisers and linked investment service providers. By always putting the needs of our clients at the centre of our decision-making, we create long-term value for all stakeholders.



### LONG-TERM THINKING

A key risk to the investment industry is that the majority of market participants increasingly focus on the short term. This is a fundamental mismatch given the typical long-term objectives of most pension funds and retail investors. Coronation has an unrelenting focus on the long term, both from an investment and business perspective. Where we identify value, we are willing to endure short-term pain in our pursuit of compelling long-term outcomes for clients. We are an investment-led business that puts clients first, and believe that the highest probability of generating alpha is by being a patient long-term investor. When we assess the performance of our investment mandates, it is over the long term rather than on periods of less than five years (refer to pages 21 and 22).







### TEAM-BASED ORGANISATION

We employ talented individuals, each with their own unique skill, intellect and experience. We operate with a flat structure, which we value greatly. By creating an environment where world-class teams can excel, we are able to deliver positive outcomes for our clients. Our people are critical to our success. While we know that all strong teams are underpinned by strong individuals, we do not tolerate individuals who put themselves before the organisation, or who do not wish to be part of a strong cohesive team.



### ALWAYS ACT WITH INTEGRITY

We have a fiduciary responsibility to our clients to act with uncompromising integrity across all levels of decision-making. At Coronation, 'Trust is Earned' is far more than three words in a logo; earning and maintaining our clients' trust is at the heart of our ethos.



### STRONG PERFORMANCE CULTURE

We are unashamedly a meritocracy and retain the soul of a boutique. We strive to create a winning culture – one that is attractive to the most talented and ambitious investment professionals.

## OUR CLIENT VALUE PROPOSITION .....

Coronation is a long-term, valuation-driven investment house. Our approach aims to identify mispriced assets trading at discounts to their long-term underlying value (fair value) determined through extensive proprietary research.

All our funds are managed according to our single investment philosophy of investing with a long time horizon. By focusing on the long term, we build client portfolios that are able to outperform over meaningful periods, defined as periods of five years and longer for most funds. We believe this gives us an enduring competitive advantage over other market participants, most of which are fixated on the short term.

A key differentiator is our skill in assessing both risk and return, and how we use this to construct portfolios based on the highest risk-adjusted potential return. When we value a business, we do so with a long-term view and only buy when the share price is trading at a discount to our assessment of its worth. For us, it is about building robust, anti-fragile portfolios of our highest conviction ideas. While our recognised skill in bottom-up stock selection is fundamental to portfolio construction, we believe that asset allocation is the biggest decision one has to make in investments. As an active manager, Coronation has the skill and experience to make bold and decisive decisions that have delivered excellent long-term outcomes for clients. We have achieved this by avoiding silos in our investment team. Our global investment team comprises well-rounded generalist investment professionals with the expertise to price profit across sectors, asset classes and geographies, and assess the merits of each. This integrated approach to portfolio management sets Coronation apart in terms of skill, experience and process.

We know that all clients are different, each with differing risk budgets and return targets, which is why we offer a complete fund range that includes both building blocks (single asset class) and multi-asset funds (see overleaf). This empowers our clients to select the fund that best meets their needs at a specific point in time.

We are fortunate that, in our pursuit of generating long-term outperformance, the majority of our clients understand that, from time to time, this may come at the cost of underperformance in the short term. While these periods may be uncomfortable and testing, we have endured them many times throughout our 23-year history, and know that they are an important part of our compelling and proven long-term investment track record.

OUR CLIENTS AND PRODUCT OFFERING

Coronation focuses on two primary client markets – institutional clients (South Africa and international) and personal investors (South Africa only). It is important to note that, regardless of the point of access, all clients receive the same investment outcomes. We look at investment returns through the lens of our clients, not the business segment through which we report these results.

INSTITUTIONAL

We are one of the largest managers of institutional assets in South Africa, managing assets for more than 80% of the top 200 retirement funds in the country, which constitutes a total market share close to 15%. Coronation has held this dominant position for a substantial period of time. Our product offering covers all asset classes across a number of geographies in both segregated and pooled mandates. Coronation’s market share of third-party assets is above 20% in our multi-asset class strategies and our specialist South African equity funds – our flagship funds that were launched at the start of the business in 1993. Clients include pension and provident funds, medical schemes, 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, multi-managers and umbrella funds.

Our range of investment strategies offered to both South African and international institutional investors is depicted below:

INVESTMENT STRATEGIES

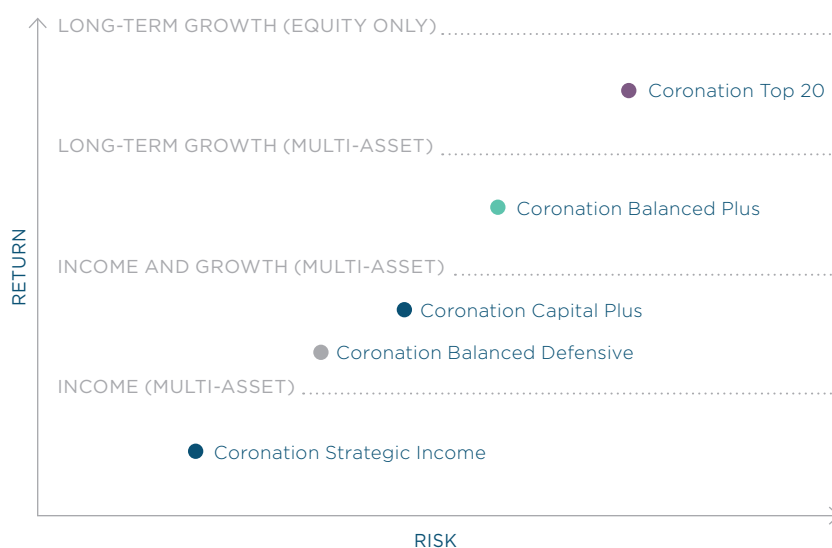


## RETAIL

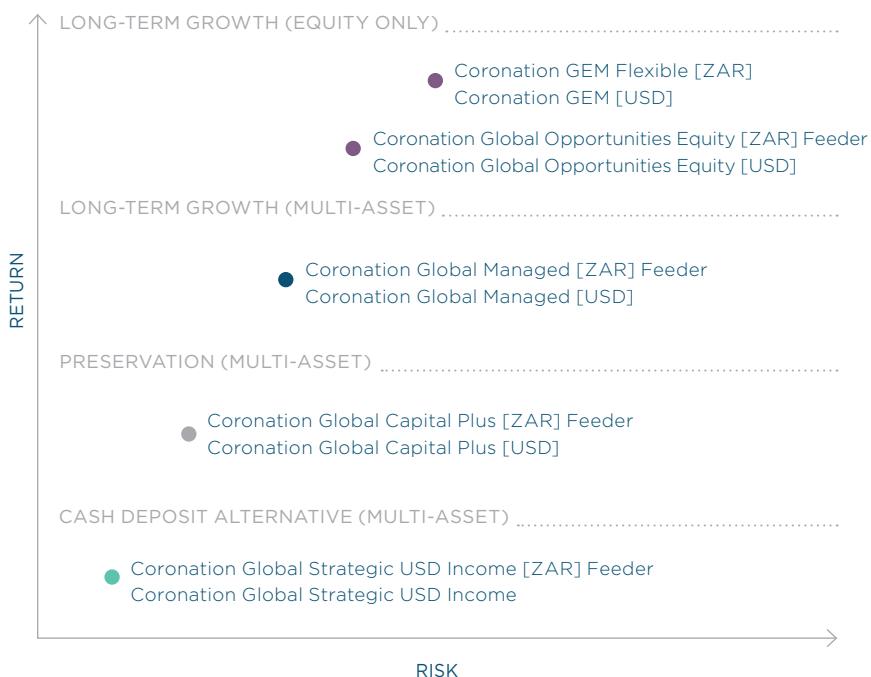
Our unit trust management company is one of the foremost managers of long-term assets in the South African collective investment schemes industry, with a 13% market share. We offer a comprehensive product range, including specialist funds, individual retirement and life products, as well as tax-free investments. Our primary emphasis is on a focused range of funds matched to the investment needs of households with discretionary income. All funds are available directly from Coronation, and we distribute through the non-affiliated channels of discretionary managers, independent financial advisers and third-party linked investment service providers. We have chosen to focus solely on the management of funds, and have not vertically integrated into other areas of the value chain such as investment platform administration and the provision of financial advice.

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

### DOMESTIC FLAGSHIP FUNDS



### INTERNATIONAL FLAGSHIP FUNDS



## STAKEHOLDERS .....

The duty of the board and executive management is to always put the interests of clients and the business first. Good stakeholder relations that are aligned with, and clearly communicate, our philosophy and business objectives are important to our continued success. Detailed below are our key stakeholders:

- Clients and intermediaries
- Our people
- Shareholders
- Government and regulatory bodies
- Communities

### • Clients and intermediaries

Our clients are fundamental to the success and sustainability of the business; putting their needs first is a key value of our culture.

Engagement with our institutional clients and intermediaries 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. Access to accurate and detailed portfolio information is of paramount importance.

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

All client-facing employees 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.

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

### • Our people

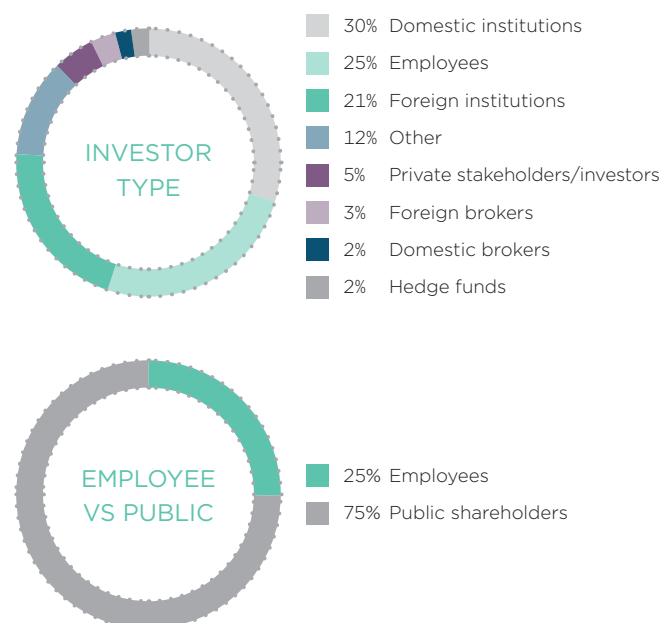
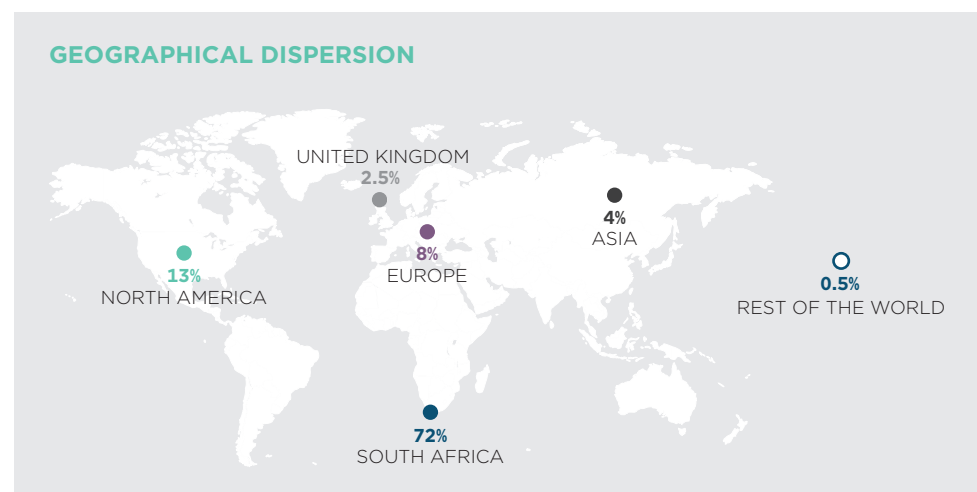
As a dedicated fund manager, our only significant assets are our people. The Coronation brand depends on our ability to produce market-beating portfolios –and that investment performance comes from our people. We are fiercely protective of our culture and ensure that, as long-term owners of the business, all employees are treated with respect. We have an open-door policy, providing for ongoing dialogue with management on any aspect of the business.

We operate in a solutions-driven culture where teamwork, individual achievement and continuous learning are encouraged. Please see further details of our investment in human capital on pages 25 to 27.

## • Shareholders

It is important for shareholders to understand that Coronation is not a growth business. All asset managers have constraints in terms of the size of assets they can manage. If an investment business becomes too large, it cannot deliver on its mandate to clients. For this reason, we closed the institutional SA Equity product range and the Balanced and Absolute Return range to new clients in 2012. We are not asset gatherers and always put the needs of clients first. Fundamentally, we are a cash-generative business, with regular and significant distributions of free cash flow generated paid out to 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. We encourage shareholder engagement that achieves greater business sustainability and alignment of interests.



## ANALYSIS OF SHAREHOLDERS .....

AS AT 30 SEPTEMBER 2016

Distribution of shareholders	Number of shareholders	%	Number of shares '000	%
1 – 1 000 shares	8 525	53.31	3 823	1.09
1 001 – 10 000 shares	6 132	38.35	19 977	5.71
10 001 – 100 000 shares	1 042	6.52	31 123	8.90
100 001 – 1 000 000 shares	237	1.48	76 451	21.86
1 000 001 shares and over	55	0.34	218 425	62.44
	15 991	100.00	349 799	100.00

Distribution of shareholders	Number of shareholders	%	Number of shares '000	%
Banks	88	0.55	10 959	3.13
Brokers	48	0.30	20 865	5.96
Close corporations	121	0.76	565	0.16
Endowment funds	4	0.03	74	0.02
Individuals	12 820	80.17	46 706	13.35
Insurance companies	113	0.71	2 839	0.81
Medical aid schemes	20	0.12	356	0.10
Mutual funds	570	3.56	96 111	27.48
Nominees and trusts	1374	8.59	5 927	1.69
Other corporations	14	0.09	1 287	0.37
Pension funds	345	2.16	55 989	16.01
Private companies	254	1.59	2 198	0.63
Employee holdings	176	1.10	88 472	25.30
Sovereign wealth funds	44	0.27	17 451	4.99
	15 991	100.00	349 799	100.00

Public/non-public shareholders	Number of shareholders	%	Number of shares '000	%
<b>Non-public shareholders</b>	176	1.10	88 472	25.29
Directors*	5	0.03	5 925	1.69
Shares held by employees	171	1.07	82 547	23.60
<b>Public shareholders</b>	15 815	98.90	261 327	74.71
	15 991	100.00	349 799	100.00

\* Includes directors of subsidiary companies.

Geographical ownership	Number of shareholders	%	Number of shares '000	%
Southern Africa	15 561	97.31	255 334	72.42
International	430	2.69	94 465	27.58
	15 991	100.00	349 799	100.00



- **Government and regulatory bodies**

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

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

The majority of our regulatory interaction is with the FSB, either directly or through our involvement with the Association for Savings and Investment South Africa (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 Coronation employees serve on various ASISA board committees, standing committees and working groups where we have engaged in a number of significant legislative consultations. This includes the Retail Distribution Review, the FICA Amendment Bill and the Financial Sector Regulation Bill (Twin Peaks), which will create the Prudential Authority (Reserve Bank) and a dedicated market conduct regulator (Financial Sector Conduct Authority).

In line with our strategy to grow our offering to global capital investors, we are also members of the Investment Company Institute (ICI). The ICI is an 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.

- **Communities**

The foundation of society rests on the communities in which we operate and to which our employees return home each day. At Coronation, our role is to create opportunities that will empower individuals. We are proud of the steps that we have taken in transforming our business and the manner in which we have used our influence to effect change across the broader financial services industry. We were pioneers in a number of corporate initiatives that have contributed to transformation and the development of skills in the asset management industry, dating back as far as 1996. Similarly, our early adoption of providing business and financial support to the black stockbroking community has produced exceptional results and scalability (please see enterprise development on pages 74 and 75).

Our role as a good corporate citizen is extremely important to us. The framework and guiding principles of all our corporate social investment (CSI) engagements are governed by a clearly defined policy aligned to our philosophy of long-term thinking. For us, it is about establishing and contributing to long-term programmes that result in quantifiable change to people's lives. Our involvement in certain programmes, such as our highly successful bursary programme, stems back to the genesis of our business in 1993. In more recent years, we have tackled South Africa's low levels of literacy and numeracy with the creation of our Reading Adventure Rooms in 2010 and Counting with Coronation in 2012. Over the past financial year, our monetary investment to CSI totalled R19.8 million. A significant proportion of this was directed to the national drive to promote financial literacy and savings in the country through a number of initiatives. Please refer to pages 76 to 79 for more details.

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## KEY FOCUS AREAS AND PERFORMANCE

The sustainability of our business lies in our ability to produce consistent superior long-term investment performance and provide client service excellence that will ensure client retention. Fundamental to this is our ability to continue to attract, retain and motivate exceptional employees.

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. In the current year, we have identified the following focus areas:



LONG-TERM INVESTMENT PERFORMANCE



CLIENT SERVICE



GOVERNANCE



OUR PEOPLE



CORPORATE CITIZENSHIP







## LONG-TERM INVESTMENT PERFORMANCE .....

Our long-term track record of consistent alpha generation over meaningful time periods is testament to the calibre of our people and the rigour of our single investment philosophy and process (see overleaf). Consistent across all decision-making is that we put the needs of clients first. To protect future outcomes for clients, we closed the institutional SA Equity product range and the Balanced and Absolute Return ranges 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
- 66 professionals, each with an average of 13 years in the industry and nine years with Coronation

### MEASUREMENT

We are proud of the compelling investment returns achieved by our institutional and retail clients who have been invested with us for meaningful periods of time.

#### Institutional assets:

- More than 95% have outperformed their respective benchmarks over 10 years
- 100% have outperformed their benchmarks over 20 years
- More than 95% of those clients who have been invested with us for more than 10 years have outperformed their benchmarks since inception

#### Retail assets:

- More than 90% have outperformed their respective benchmarks over 10 years
- 100% have outperformed their benchmarks over 20 years
- More than 95% of those clients who have been invested with us for more than 10 years have outperformed their benchmarks since inception

- INSTITUTIONAL: BALANCED PORTFOLIOS

Quartile ranking to 30 September 2016

	10 YEARS	20 YEARS	SINCE INCEPTION
Alexander Forbes SA Large Manager Watch™	1	-	1
Alexander Forbes Global Large Manager Watch™	1	1	1

- RETAIL: DOMESTIC FLAGSHIP FUNDS

Quartile ranking to 30 September 2016

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

Source: Morningstar

- INTERNATIONAL: US DOLLAR FUNDS

FUND	ACTIVE RETURN*	LAUNCH DATE
Global Emerging Markets Equity Strategy	5.2%	14 July 2008
Africa Frontiers Strategy	7.8%	1 October 2008
Global Managed	1.6%	1 March 2010
Global Capital Plus	7.3%	1 September 2009
Global Bond	1.9%	1 October 2009
Global Equity Fund of Funds	2.2%	1 July 2000

\* Active return (gross of fees) for institutional portfolios since launch to end September 2016.








CLIENT SERVICE .....

We work hard at building and maintaining our clients’ trust, which is why more than 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 CLIENT CHARTER**

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

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

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

We manage assets for more than 80% of the top 200 retirement funds in South Africa, including assets for the government pension funds of South Africa, Lesotho and Namibia.



CLIENTS REPRESENTING MORE THAN 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 the key priority. We know that without clients we have no business and that the assets under our management can leave us at 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 adviser 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 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) initiative and, through our involvement with ASISA, we are actively engaged in refining the practical aspects of this outcomes-based framework. During the course of the year, we simplified fund fee structures and reduced fee levels to ensure that we continue to provide clients with a compelling market proposition. We also supported the positive move to more cost transparency in the industry through the adoption of the Effective Annual Cost (EAC) model (total investor holding cost disclosure) and the provision of full portfolio transaction costs. Read more in the CEO's review on pages 34 to 39.

We maintain a complaints policy, as well as a *Complaints Procedure: Guidelines for Clients*, which is available on our website ([www.coronation.com](http://www.coronation.com)). We have established systems and procedures to identify, investigate and resolve any client complaints. The compliance department reviews any complaints received on a monthly basis. Material complaints will be escalated to the executive committee and the audit and risk committee.



## GOVERNANCE .....

**Coronation maintains a robust corporate governance framework, which is effected through a unitary board and various subcommittees, and monitored via a combined assurance model.**

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. With specific regard to the investment governance process, we continue to build on our risk-based approach to the integration of environmental, social and governance (ESG) factors. 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, including King III. Please refer to our website 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. For further detail, please see pages 42 to 47.





## OUR PEOPLE .....

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 performance-driven culture of ownership, meritocracy and excellence. As an independent active investment manager, our people are our only true asset.

Teamwork, individual achievement and continuous learning are all key components of our culture. We employ a total of 290 employees (2015: 278), of whom 66 (2015: 67) are investment professionals, with an average of 13 years in the industry and nine years at Coronation. Long-term retention of world-class talent is critical to the success of the business (see employee turnover on page 26).

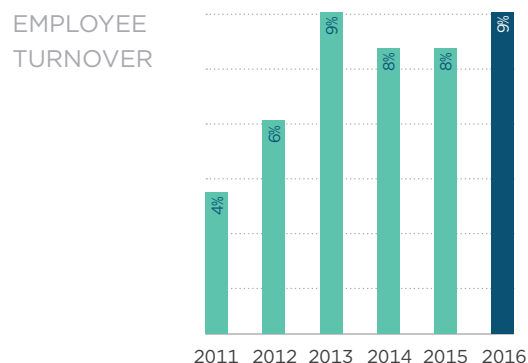
Employment equity and transformation are interwoven with our initiatives to attract, retain and motivate talented individuals. Over the years, we have successfully recruited, trained and retained exceptional black talent, many of whom now hold critical management roles within the business. Three out of five non-executive board directors are black and, within our senior leadership, three out of four executive committee members are black. Within the South African-focused investment team, three out of four leadership roles are black: head of Fixed Income, head of SA equity, head of SA equity research, and 43% of our senior portfolio managers are black. Of our total employee complement in South Africa, 52% are black, of which more than 60% are black females. Our CEO and COO are black, and our global head of institutional business and head of marketing are both black females. For further details on transformation and social impact investing, please see pages 70 to 79.

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 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 (refer to page 78) that identifies previously disadvantaged learners with academic potential 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. Over the years, we have made a number of successful placements.

We regularly review employee 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. The Coronation Management Think Labs provide support and development opportunities for new and existing leaders, equipping them with the skills necessary to manage and retain top talent. All managers are given interview skills training, called *Hiring Right!* This high-intensity programme involves real Coronation case studies and focuses on identifying and selecting top talent.

We are a client-centric 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 accept that we cannot fulfil all career aspirations internally, we do boast a highly stable investment team, where the average tenure is nine years, and an average of six years across the business.

Confidential career discussions are offered by members of the talent management team to support all employees with their career development plans. Over time, we have experienced an increase in applications from internal candidates, and limited natural attrition. Employee turnover increased slightly from 2015 to 9% (see below), but remains extremely low by industry standards.



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. Employees 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.

An important leg of integration for new employees 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.

Our remuneration is linked to the performance of the business, which is ultimately driven by our long-term investment performance and service delivery to clients. The variable performance-based remuneration aspect of our remuneration structure is contractually calculated as 30% of audited annual consolidated net operating profit before taxation. The variable remuneration model was established at the inception of the company and has been a cornerstone of the company's success over more than two decades. It has underpinned our values and performance culture, ensures the alignment of stakeholder interests and has undoubtedly been the key driver of Coronation's success. It is one of the clearest and simplest remuneration policies among the top 100 companies on the JSE. It results in 100% alignment between employees and shareholders as all the variability of the company's earnings is experienced by employees. Further, it avoids perverse outcomes which are often achieved by option schemes and complicated remuneration structures, which are asymmetrically structured to only produce upside for employees regardless of the company's results. At Coronation, variable remuneration is broad based and, unlike many organisations, it is not the preserve of senior executives, but allocated to all employees.

In line with our values of long-term ownership and long-term thinking, deferred remuneration is used to invest in Coronation shares and our own unit trust funds. This allocation of deferred remuneration, awarded to all employees critical to the long-term success of the business (see broad-based participation table in our remuneration report

on page 62), vests over a predetermined number of years (vesting dates currently stretch from 2017 until 2021). The variable remuneration component of our remuneration policy aligns employees with stakeholders through periods of increasing and decreasing profitability. The variable remuneration model results in a simple and transparent remuneration outcome that ensures alignment with other stakeholders. We find that complicated structures often create unintended outcomes. The variable remuneration model should be seen in the context of below-market salaries for senior employees and the fact that Coronation has, historically, not issued share options (unlike most other listed companies). For further details, please see our remuneration report on pages 59 to 69.

The settlement of the debt within our employee empowerment vehicle, the Imvula Trust, has also facilitated the realisation of ownership and economic benefit to beneficiaries. This deal has resulted in true and significant black ownership as real shares were issued and funded with third-party debt. It was not a share scheme where only a marginal share was transferred to black shareholders upon conclusion of the deal. This augmentation in employee ownership feeds directly into the culture and philosophy of the business.

Employees are encouraged to maintain their shareholding in Coronation, which currently stands at 25% (2015: 25%).



## CORPORATE CITIZENSHIP .....

Good corporate citizenship is about ensuring we entrench morally responsible business practices into every aspect of our organisation, client value proposition and stakeholder engagement. This extends to our playing an active and constructive role in shaping a financial industry that meets the needs of all investors. If we achieve this, we will ensure the success and sustainability of our business well into the future.

As an investment manager, we assess our business strategy and operations with the same intensity we apply to potential investment opportunities. We look at the risks and opportunities in relation to the environment and the community in our various roles as investor, employer and consumer. In our investment decision-making, we recognise our indirect footprint through the integration of ESG factors as part of our investment process, and embrace our role as an active shareholder (see pages 56 to 58). As detailed throughout this report, our people are our only true asset. We nurture our unique culture and continue to create the right environment where our employees can flourish, and where great new talent wants to work. Transformation is a key aspect of this and where our involvement extends beyond the boundaries of our own organisation. Equally, we know the importance of giving back to the communities in which we operate and the essential role we play in effecting meaningful change in the lives of many (read more about our CSI programmes on pages 76 to 79).

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.

Our board-appointed committees monitor our progress and provide guidance in our ongoing development.

# SUMMARY OF VALUE CREATION

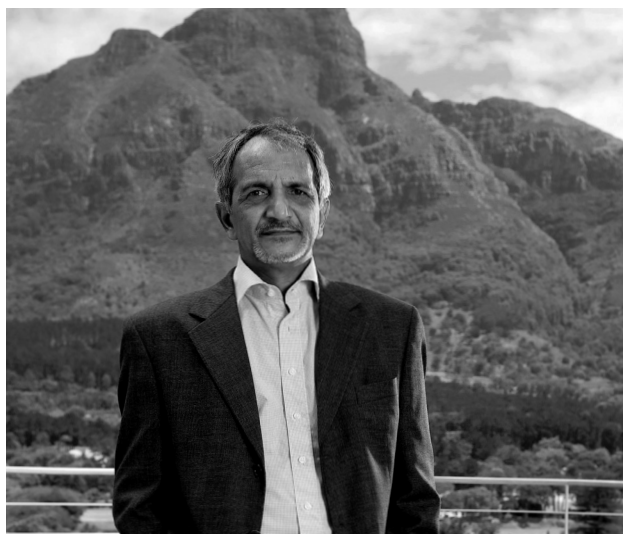
MATERIAL ISSUE	KEY STAKEHOLDER(S)	KEY STAKEHOLDER NEEDS
 LONG-TERM INVESTMENT PERFORMANCE	<ul style="list-style-type: none"> <li>• Clients and intermediaries</li> <li>• Shareholders</li> </ul>	<ul style="list-style-type: none"> <li>• Superior long-term investment performance</li> <li>• Appropriate product offering aligned with needs</li> </ul>
 CLIENT SERVICE EXCELLENCE	<ul style="list-style-type: none"> <li>• Clients</li> <li>• Intermediaries</li> </ul>	<ul style="list-style-type: none"> <li>• Timely access to accurate, simple and easy-to-understand information</li> <li>• Open and effective channels of communication</li> <li>• Accurate, appropriate and timely reporting</li> </ul>
 GOVERNANCE	<ul style="list-style-type: none"> <li>• Government and regulatory bodies</li> <li>• Clients and intermediaries</li> <li>• Shareholders</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance with regulations</li> <li>• Transparent and proactive engagement with regulators and policymakers</li> </ul>
 OUR PEOPLE	<ul style="list-style-type: none"> <li>• Employees</li> </ul>	<ul style="list-style-type: none"> <li>• Strong entrepreneurial culture and ownership</li> <li>• Recognition and reward for excellence</li> <li>• Open channels of communication</li> <li>• Access to continuous learning and development</li> </ul>
 CORPORATE CITIZENSHIP	<ul style="list-style-type: none"> <li>• All</li> </ul>	<ul style="list-style-type: none"> <li>• Sustainable business model</li> <li>• Responsible investment</li> <li>• Community development and upliftment</li> <li>• Employee remuneration and wellbeing</li> </ul>





VALUE CREATION PROCESS	CAPITALS IMPACTED	KEY REFERENCES
<ul style="list-style-type: none"> <li>Single investment philosophy and process that delivers long-term market outperformance</li> </ul>	<ul style="list-style-type: none"> <li>Financial capital</li> <li>Human capital</li> <li>Intellectual capital</li> </ul>	<ul style="list-style-type: none"> <li>Long-term investment performance: pages 21 – 22</li> <li>Product range: pages 14 – 15</li> <li>CEO's review: pages 34 – 39</li> <li>At a glance: pages 6 – 9</li> </ul>
<p>Create a client-centric business:</p> <ul style="list-style-type: none"> <li>Demanding client service benchmarks</li> <li>Client charter central to the way we do business</li> <li>Fair and transparent fee structure</li> </ul>	<ul style="list-style-type: none"> <li>Human capital</li> <li>Intellectual capital</li> <li>Social and relationship capital</li> </ul>	<ul style="list-style-type: none"> <li>Client charter: page 23</li> <li>Clients and intermediaries: page 16</li> <li>Client service: pages 23 – 24</li> <li>CEO's review: pages 34 – 39</li> </ul>
<ul style="list-style-type: none"> <li>Proactively shaping a safer financial sector through engagement with regulators</li> <li>A combined assurance model that effectively monitors risk management</li> <li>Strong leadership and clear direction</li> </ul>	<ul style="list-style-type: none"> <li>Intellectual capital</li> <li>Social and relationship capital</li> </ul>	<ul style="list-style-type: none"> <li>Risk management and compliance: pages 48 – 58</li> <li>Corporate governance: pages 42 – 47</li> <li>Investment governance process: pages 56 – 58</li> <li>Chairman's statement: pages 30 – 33</li> </ul>
<p>Create an inclusive environment that attracts, retains and grows exceptional talent through:</p> <ul style="list-style-type: none"> <li>Rigorous recruitment process</li> <li>Employee training and development</li> <li>Transformation</li> </ul> <p>Live the values in our day-to-day activities</p>	<ul style="list-style-type: none"> <li>Financial capital</li> <li>Human capital</li> <li>Intellectual capital</li> </ul>	<ul style="list-style-type: none"> <li>Our culture: pages 12 – 13</li> <li>Our people: pages 25 – 27</li> <li>Transformation: pages 70 – 73</li> <li>Corporate social investment: pages 76 – 79</li> </ul>
<ul style="list-style-type: none"> <li>Morally responsible business activities and processes that create economic value</li> <li>Incorporation of ESG factors into investment decision-making</li> <li>Active social impact investment and transformation</li> </ul>	<ul style="list-style-type: none"> <li>Social and relationship capital</li> <li>Human capital</li> <li>Financial capital</li> </ul>	<ul style="list-style-type: none"> <li>Investment governance process: pages 56 – 58</li> <li>Corporate social investment: pages 76 – 79</li> </ul>

# CHAIRMAN'S STATEMENT



SHAMS PATHER

BBusSc, BCom (Hons), MBA

I am pleased to report that Coronation delivered a credible set of results for the year. Our relentless focus on the long term, both in how we manage investment portfolios on behalf of our clients and in how we manage the business, is the reason for our continued success, spanning 23 years. In the South African market, our institutional and retail businesses are acknowledged as industry leaders, and in the global marketplace we continue to gain traction in our selected markets.

At the start of the year, the global growth outlook was modest and rather uneven: growth in developed economies looked set to remain lacklustre; emerging markets were constrained by recessions in Russia and Brazil and downside risk to economic activity in China. In the US, strengthening housing and labour markets were well supported by policy settings and, with confidence in the durability of the economy's recovery, the US Federal Reserve hiked rates by 25 basis points in December 2015. In the euro area, low oil prices provided ongoing support for stronger private consumption, assisted by accommodative financial conditions, which were offset by weakening net exports. Growth in Japan also looked a little more promising. In all cases, monetary policy remained very accommodative. Within the emerging markets complex, growth in China remained under combined pressure of weak global exports and domestic capacity overhangs, but policy support and strong credit growth helped provide a fillip. Brazil's recession deepened and politics deteriorated, while Russia continued to adjust to lower oil prices.

Then there was Brexit, the UK's vote to leave the EU, in June and the election of Donald Trump as US President in early November. These seismic global political events represent a dramatic change to the liberal democratic tradition of those countries and, in all likelihood, will shape global politics and economies profoundly in the coming years.

In South Africa, economic growth remained constrained by the drought and a weak global environment. In December 2015, the shock replacement of Finance Minister Nhlanhla Nene with little-known politician Des van Rooyen and then the almost immediate change to reinstate former Finance Minister Pravin Gordhan saw the currency weaken sharply and bond yields spike upwards. Together these contributed to a sharp increase in inflation and worsened the growth outlook at the start of the calendar year. The economy has remained under pressure: weak growth, high inflation and a heightened level of political uncertainty persist. In response to higher inflation the South African Reserve Bank (SARB) continued to raise interest rates, with a 50 basis points rate hike in January followed closely by a further 25 basis points in March, bringing the repo rate to 7.0%. Since that time, inflation risk has been increasingly assessed to be more 'balanced' and the SARB seems likely to remain on hold. With the reshuffle of the Finance Minister came increased risk that the country's fiscal position – already constrained by post-financial crisis increases in recurrent spending – was under threat. In addition, the country faces the continuing threat of a sovereign rating downgrade from investment to speculative grade. Growth is expected to remain weak and recover only



very modestly in 2017. Despite these challenges, both the SARB and National Treasury remain committed to consistent, transparent policies in support of long-term sustainable growth.

Given this backdrop, it was another year of extreme volatility. But as an active manager, with volatility comes opportunity. The significant inflection points registered in emerging markets and commodities contributed to encouraging performance in our client portfolios. For the 12 months, the MSCI Emerging Markets Index delivered a return of 16.8%, versus the 12.0% of the MSCI All Country World Index (both in US dollar terms). Closer to home, the FTSE/JSE All Share Index generated a return of 6.6% for the period. The local currency, following significant declines in the first quarter of our financial year, recovered to strengthen by 0.8% against the US dollar (to close at R13.72), and by 0.2% against the euro (to close at R15.42) for the financial year ended September 2016.

Our value proposition to clients is to build robust portfolios that deliver strong investment performance over the long term. We are a cyclical business with a revenue stream that is highly geared to the returns of the market and the level of outperformance we generate on behalf of clients. Due to a decline in the level of performance fees generated compared to the prior corresponding period, combined with the impact of the implementation of our new retail fee structure, revenue for the year declined by 9.0% to R4.0 billion (September 2015: R4.4 billion). This, in turn, led to a 13.3% decline in diluted headline earnings per share to 447.6 cents (September 2015: 516.0 cents).

Given our decision four years ago to close our main institutional equity and multi-asset portfolios to new business, our assets under management declined to R599 billion (September 2015: R610 billion). This was due to total net outflows of R79 billion, the bulk of which were offset by capital appreciation.

We maintain our practice of rewarding shareholders through regular and significant distributions of free cash flow generated, and endeavour to distribute at least 75% of after-tax cash profit. After assessing all projected future cash requirements, we declared a final gross dividend of 218.0 cents per share, which resulted in a final net dividend of 185.3 cents per share for shareholders subject to dividends tax. Together with the interim gross dividend of 229.0 cents per share, this amounts to a total gross dividend of 447.0 cents per share for the 2016 financial year.

## STRATEGY .....

The long-term sustainability of the business rests in our continuing ability to add value to all our clients. We continue to invest in our product offering, ensuring that it remains competitive and relevant to the changing needs of investors, and is available at their chosen point of access. Critical to our success is our ability to attract, retain and motivate talented individuals in every area of our business. As an investment manager, our people are our only true asset.

We are confident that we have the right long-term strategy that is supported by a well-articulated business model and culture of always putting clients first. We remain firm in our decision to close our highly successful institutional portfolios to new investors. Our objective is not to grow assets under management, but to take all steps necessary to protect the future investment outcomes of our clients.

## GOVERNANCE .....

In our relentless pursuit to earn and maintain our clients' trust, we implement and monitor robust corporate governance practices that drive the highest degree of integrity. This is achieved through an environment of effective oversight and accountability. Trust, transparency and accountability support the sustainable creation of value for our stakeholders.

We support the adoption of robust governance structures that provide protection for all stakeholders, and take a progressive approach to disclosure that is in line with prevailing and anticipated regulatory requirements, global best practice and good stakeholder relations.

In the context of disclosure regarding our approach to remuneration, we have always been transparent and fully compliant with the governance requirements applicable to listed companies. This is demonstrated in our simple structure of fixed and defined annual variable remuneration, which we believed to be fully understood by all stakeholders. We have since identified the need to furnish shareholders with greater detail regarding our philosophy and principles, and include an enhanced remuneration report on pages 59 to 69.

Coronation operates in a highly competitive market and remains vigilant of pending regulatory and legislative changes. We take a proactive role in shaping the SA financial services industry and support the call for better regulatory mechanisms that encourage institutions and individuals, in their differing roles, to invest for their financial futures.

## THE BOARD .....

Coronation has a unitary board, which comprises two executive directors and five independent non-executive directors. On 7 November 2016, Dr Hugo Nelson, a sixth independent non-executive director, was appointed to the board. Hugo is well known to the majority of shareholders, having served as Coronation's CEO from 2007 to 2013. On behalf of my fellow board members, I welcome Hugo in his new capacity and look forward to his immediate contribution.

Please refer to pages 40 and 41 for the board members' abridged biographies and to pages 42 to 47 for detailed reports of the board's three subcommittees, all of which are chaired by independent non-executive directors.

An appraisal of the effectiveness of both the board and its committees was concluded during the year, and I am pleased to report that we are satisfied with the performance of its members.

## TRANSFORMATION .....

Coronation is a truly South African business that is committed to transformation. We continue to build on the meaningful and sustainable transformation achieved in our business, as well as within the financial services industry.



Ownership builds a long-term commitment to our continued success, and is a key characteristic of our culture. In 2005, we created the first employee-only black economic empowerment deal in South Africa that today sees 21.5% of Coronation in the hands of black shareholders (as measured by the Financial Sector Charter). Since inception, a total of 187 black individuals have directly benefited from the economic upliftment afforded through their personal shareholding in Coronation.

We believe that the more diverse our employee complement, the greater our competitive advantage. More than half of our employees in South Africa are black, of which more than 60% are female. Within our South African-focused investment team, three out of four leadership roles are held by black employees, while 43% of our senior portfolio managers are black. At executive committee level, black representation is 75%, and at board level the figure is 57%.

Social impact investing plays a critical role in our transformation journey. The highly successful Coronation Business Support Programme has inspired the creation of a broader industry programme (as detailed on page 74) and our long-term CSI initiatives contribute to the empowerment of individuals and communities (see pages 76 to 79).

We are currently measured as a Level 3 contributor in terms of the Financial Sector Charter.

## ACKNOWLEDGEMENTS .....

Coronation has a strong and unique culture that recognises the importance of its people in the creation of long-term value. I would like to take this opportunity to thank each and every employee for their total dedication and commitment to the long-term success of the business. I also wish to thank my fellow board members for their sound judgement and decision-making over the past year.

To our clients, intermediaries and shareholders – without whose trust in our ability to deliver long-term wealth creation we would not have a business – I say thank you.

## PROSPECTS .....

The sustainability of our business is anchored in our relentless commitment to long-term investing. As an active manager, volatile markets create opportunities for the patient, long-term investor to take positions that will ultimately deliver compelling returns for clients over meaningful periods of time. The recent performance of our funds is encouraging and gives us confidence for the years ahead. While the likelihood of continued near-term volatility and uncertainty persists, our robust investment philosophy and approach continue to act as a compass, which enables us to make the appropriate long-term decisions for the benefit of our clients. Our success in achieving this will generate long-term value for all stakeholders.

# CHIEF EXECUTIVE OFFICER'S REVIEW



ANTON PILLAY

BBusSc, CA(SA), CFA, AMP (Harvard)

At Coronation, we understand the significance of our role as stewards of our clients' capital and recognise that the success of our business relies on earning and maintaining their trust. It is a conviction entrenched in our company culture and one that informs all decision-making. We maintain a single-minded focus on achieving compelling long-term investment outcomes for clients (refer to pages 21 and 22) who have entrusted us with their hard-earned savings, and I would like to thank each of them for their continued support.

We believe strongly in our business model of non-affiliated distribution. Investment into our funds depends on our long-term track record, the strength of our brand and independent advice provided by professional advisers – all of which align to our long-term philosophy. Individual client relationships remain at the core of our institutional business, while the bulk of inflows into our retail business continues to be driven through the non-affiliated distribution channels of third-party professional advisers. The continued growth in our self-directed client base is a positive indicator of growing brand recognition and trust.

However, it bears repeating that Coronation is a cyclical business, with a revenue stream that is highly geared to both the returns of the market and the level of outperformance we generate on behalf of clients. Markets do not always follow an upward trajectory, and the decline in earnings experienced by the business over the financial year should be viewed against the exponential and sustained earnings growth we experienced between 2009 and 2014 (an average of 56% year on year).

The past year presented a challenging economic climate, resulting in increased financial pressure on retail investors and restraint in discretionary spend. In addition, the local market has remained relatively flat in rand terms over the past three years. In combination, this has led to a moderation in the pace of industry inflows into long-term investments.

Within the South African retirement space, we operate in a net outflow market, largely as a result of the country's poor savings culture and the impact of retrenchments and resignations. Conservative estimates based on industry benchmark statistics approximate the net outflow at 10% of the market's opening balance each year.

When considering economic and political developments, it has been a year of many surprises. It started with the chaotic replacement of finance ministers in South Africa. Globally, we witnessed an attempted coup in Turkey and presidential impeachments in Brazil, and ended with the biggest political shifts the developed world has seen in decades: Brexit and the unexpected election of Donald Trump as US President. The increased levels of uncertainty caused by unexpected macro-political events contributed to market volatility, and in the short term, suppressed investment returns.

Despite a challenging operating environment and the gamut of black swan events, our range of portfolios maintained their excellent long-term track records. As an active manager, we emphasise our bottom-up selection process, which is used to identify assets trading at material discounts to their underlying long-term value. When constructing portfolios, we carefully



consider appropriate position sizes and asset allocation weightings to create robust funds that have the ability to meet investors' long-term objectives despite the outcomes of uncertain macro events. This has been borne out by experience, with the majority of our funds delivering exceptional outcomes this year despite the unexpected macro volatility.

## REGULATORY REVIEW .....

The global trend towards more intrusive and intensive regulation of the financial services industry continues. For the foreseeable future, the agenda looks set to remain demanding and is likely to have far-reaching implications. We continue to monitor developments to assess their impact on our business. As an active participant in the financial services industry, we also engage with policymakers and regulators through our industry associations.

Key local initiatives aimed at enhancing the protection and fair treatment of investors include the FSB's pending transition to the Twin Peaks regulatory model (which will see the establishment of a prudential regulator alongside a dedicated market conduct regulator) and its awaited Retail Distribution Review (RDR). Also ongoing is National Treasury's retirement reform, which seeks to increase participation in the formal savings sector and improve retirement security for more South Africans.

In anticipation of the RDR, the industry continues to adapt, as seen by an accelerated move towards clean-class funds on investment platforms. Clean-class funds only charge for the investment management element of the fund and exclude the administration subsidy previously paid to the fund platform, allowing for increased transparency around costs.

Additional regulatory developments over the past year have included the classification of hedge funds as collective investment schemes under the Collective Investment Schemes Control Act and technical revisions to the Financial Advisory and Intermediary Services (FAIS) Act (still in draft format), relating to fit and proper and capital adequacy requirements. We are in the final stages of transitioning our niche hedge fund offering to the new regulatory framework and are readying our business for required implementation of updated FAIS requirements.

Globally, current areas of focus include the OECD Common Reporting Standard, the Markets in Financial Instruments Directive (MiFID) in Europe and new requirements for managers and depositaries of UCITS, known as UCITS V. In monitoring the progress and implications of these developments, we make use of international law firms, compliance consultancies and our membership of the Investment Company Institute (ICI), a leading global association of regulated funds in the United States and similar funds offered to investors in jurisdictions worldwide.

## OPERATIONAL UPDATE .....

We continue to invest in our business, specifically in the area of information systems that will create greater operational efficiencies and enhance our clients' service experience. However, we are mindful that technological advancements also present heightened levels of cyber risk, and we continue to bolster our defences in the digital operating environments and transactional portals we make available to our clients.

A notable development during the year was the introduction of voice biometrics in our call centre to offer a further layer of protection against identity theft and cyberfraud. This enables us to use a client's unique voiceprint for authentication in future telephonic interactions.

As an established brand in the financial services industry, Coronation also ensures that it maintains its brand equity and affinity. In further strengthening our brand communication, we launched our new advertising campaign on Workers' Day, 1 May 2016. The campaign, *'Because it's your money'*, is an ode to hard-working real South Africans and underscores the importance we place on our responsibility as stewards of our clients' capital. The idea behind it is that we understand the effort and sacrifice it takes to earn a living, and that deciding who to invest it with is not an easy one.

## INSTITUTIONAL BUSINESS .....

Coronation is one of the largest managers of third-party assets in South Africa while internationally, our niche global product offering continues to gain traction based on its compelling track record. In combination, client portfolios total R374 billion under management.

We are proud of the compelling investment returns achieved by our institutional clients who have been invested with us for the long term:

- More than 95% of our institutional portfolios have outperformed their respective benchmarks over the past 10 years.
- 100% of our institutional portfolios have outperformed their benchmarks over the past 20 years.
- More than 95% of those clients who have been invested with us for more than 10 years have outperformed their benchmarks since inception.

### **SOUTH AFRICA**

For the past six years, we have maintained our dominant position in the South African institutional market, reflected by a consistent market share of 15%. At present, we manage assets for more than 80% of the top 200 retirement funds in the country.

Our institutional business experienced a total net outflow of R61 billion for the year. This is primarily due to 75% of our institutional business remaining closed to new investors, a decision implemented more than four years ago to protect investment outcomes for our existing clients. While it is a decision to which we remain committed, it means that we are unable to attract new investors into the affected mandates. In addition, as referenced earlier, we operate in a net outflow market within the South African retirement space. Within this context, we anticipate continued net outflows from our South African business in future.

### **GLOBAL**

The global marketplace is highly competitive, and we are extremely pleased with the opportunities created by the compelling long-term track records our global emerging markets and Africa strategies have built up.



The Coronation Global Emerging Markets Equity Strategy has generated an active return of 5.2% p.a. (in USD, gross of fees) since inception in July 2008. Since launch, the strategy has consistently been ranked in the top quartile of its relevant international peer group – an achievement which has seen it draw the interest of global asset consultants and asset allocators alike.

Our Africa strategies have similar long-term track records, with eight years of history to show. The Coronation Africa Frontiers Strategy has delivered a return of 8.3% p.a., while the All Africa Strategy has delivered 7.2% p.a. (both since inception, in USD, gross of fees). It is notable that both of their relevant equity indices have delivered negative returns since their inception, further highlighting the long-term success achieved to date.

Our Global Equity and Global Frontiers strategies were more recently launched (both in late 2014). As global asset allocators require a demonstrable performance history of at least five years before a portfolio qualifies for consideration, we continue to build on the track records of these strategies.

## CLIENT SERVICE

Exceptional client service remains a critical component of our value proposition to clients. We have continued to deepen our client-servicing skill set through ongoing training and development. We also ensure that we provide clients with open and responsive channels of communication through dedicated client fund managers and well-resourced support teams. In addition, we place ongoing emphasis on optimising internal structures and processes for enhanced efficiency and effectiveness. A notable development during the year was the introduction of our *Corospondent* app for tablets and mobile devices. Available for free download on iOS and Android, the app provides convenient, any-time access to our quarterly *Corospondent* newsletter, which contains regular business and industry updates, as well as thought leadership pieces.

## RETAIL BUSINESS .....

Coronation remains one of the foremost managers of long-term assets in the collective investment schemes industry, with assets of R225 billion under management. This represents a market share of 13.1%, which includes close to 20% of the overall investment platform book, 20% of income and growth mandates, and 17% of traditional balanced mandates.

Following a sustained period of rapid growth and an unusually high allocation of industry flows, our retail portfolios experienced net outflows of R18 billion over the financial year. We view this as a normalisation, and have anticipated such an adjustment given our business model of non-affiliated distribution. Our focus in the years ahead will remain on maintaining our existing market share, which we view to be at a more stabilised level.

In the past financial year, Coronation was named runner-up Raging Bull South African Management Company of the Year and runner-up Best Large Fund House at the 2016 Morningstar South Africa Awards. Highlights across our domestic and international fund range are detailed below, reflecting first-quartile rankings in their respective Morningstar categories:

- Coronation Top 20, a top-performing general equity fund, has outperformed its benchmark by 4.8% p.a. (net of fees) since inception in October 2000.
- Coronation Balanced Plus, the no. 1 balanced fund in South Africa since its launch in April 1996, has outperformed its average competitor by 2.5% p.a. (net of fees) over the past 20 years.
- Coronation Balanced Defensive, a top-performing conservative fund, has outperformed inflation by 4.2% p.a. (net of fees) since its launch in February 2007.
- Coronation Global Managed [ZAR] Feeder, the no. 1 global multi-asset high equity fund in South Africa since its launch in October 2009, has outperformed its average competitor by 1.4% p.a. (net of fees) over this same period.

During the year, we successfully completed the implementation of our fee and benchmark adjustment across our retail fund range. Not only has this made our fee structure simpler and easier to understand, but we also believe that it will lead to meaningful through-the-cycle fee reductions for the majority of affected funds.

In line with the industry, we also implemented the Effective Annual Cost (EAC) disclosure. This aids transparency and supports clients in accurately assessing investment alternatives by comparing the total cost of ownership for different financial services products. The key disclosures applicable to Coronation are contained in our Investment Management Charge (IMC), which includes all fees, taxes, portfolio costs and transaction costs. Whenever we report on our performance, it is after considering the IMC.

From a product perspective, I am pleased to announce that we will soon be in the position to expand the fund offering for our tax-free investment. Within the first half of 2017, the range of funds available as investment options within this product will include new classes of Coronation Market Plus, Coronation Balanced Plus, Coronation Capital Plus and Coronation Balanced Defensive.

## CLIENT SERVICE

In further enhancing the digital functionality we make available in our client service environment, we improved the client reports available to financial advisers on our secure transactional site and introduced detailed investment quotes (which set out all relevant product features and charges) for direct clients on our public website.

In the coming financial year, we will implement a new client engagement model that includes a comprehensive customer relationship management (CRM) system and integrated reporting and communications functionality. This will allow us to assume responsibility for all retail client communication (the transactional component of which is currently assigned to a third-party provider) and to build scalable and customisable communication platforms, tailored to client profiles and preferences.



Product education is an essential component of our communication mix, as is the need to communicate our single-minded investment philosophy and process. To this end, our *Conversations with Coronation* presentation series continues to enjoy strong support from the professional adviser market, once again attracting a record number of attendees in 2016. The presentations also form part of advisers' Continued Professional Development training. Additional channels of communication include our *coroconnect* adviser information portal and our quarterly *Corospondent* newsletter, which is distributed to both advisers and self-directed clients.

## PROSPECTS .....

The investment management industry remains a highly competitive market, with low barriers to entry and a significant increase in new competitors. We welcome these entrants as we support the continued advancement of the industry, more meaningful inclusion rates in the formal savings market, and the opportunity increased market competition presents to differentiate our investment offering and reaffirm our client value proposition.

We continue to invest in the sustainability of our business, including our operational capabilities, business support functions and client service infrastructure. In addition, we pride ourselves on attracting and retaining the best talent across all areas of the company. Throughout, we remain committed to our proven long-term investment philosophy and our robust investment process. We believe that this will continue to generate long-term value for all stakeholders through the cycle.

# BOARD OF DIRECTORS



Left to right: Judith February, Anton Pillay, Alexandra Watson, Hugo Nelson, John Snalam  
Front seated: Jock McKenzie, Shams Pather, Lulama Boyce

## SHAMS PATHER

Independent non-executive chairman, 65  
BBusSc, BCom (Hons), MBA

Shams was appointed to the board in 2005 and to the position of chairman in March 2009. He has more than 30 years' experience in the asset management industry. From 1974 to 2003, he worked at Norwich Union, Colonial Mutual Life Assurance, Southern Life and Real Africa Asset Management. 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, 46  
BBusSc, CA(SA), CFA, AMP (Harvard)

Anton was appointed chief executive officer of Coronation Fund Managers in February 2013 and has been a member of the board since June 2009. He joined Coronation in January 2006 from BoE (Pty) Ltd, where he held a number of key positions and directorships. Anton has extensive knowledge and experience of the investment and banking industry.



## JOHN SNALAM

Chief financial officer, 57  
BCom, CTA, CA(SA)

John has been the chief financial officer of Coronation Fund Managers since its inception in 1993. During that time, he has been responsible for all finance and legal functions related to the business, as well as responsibilities for operations, risk and compliance. He 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, 37  
BCom (Hons), CA(SA)

Lulama is a senior lecturer and subject head for the Department of Commercial Accounting 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 in 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, 44  
BA (Law), LLB, LLM (UCT)

Judith is a senior research associate at the Institute for Security Studies and affiliated to the UCT Graduate School of Development Policy and Practice. Prior to that, Judith headed up IDASA's South African governance programme. She practised law in Cape Town until 2000 and holds an LLM in Commercial Law. Judith is a regular media analyst on South African politics and writes columns for Eyewitness News, Daily Maverick and Media24. She is also the chair of the Springfield Convent School board of governors and the co-editor of *Testing Democracy: Which Way is South Africa Heading?* IDASA (2010). Judith was appointed to the board in August 2008.

## JOCK MCKENZIE

Independent non-executive director, 69  
BSc (Chem Eng), MA (Lancaster)

Jock is a member of the boards of Sappi and Capitec and is chair of Zululand Distilling Company (Pty) Ltd. 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 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, 60  
BCom (Hons), CA(SA)

Alexandra is a professor 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 a board member of the Global Reporting Initiative, an Amsterdam-based organisation promoting understanding and communication of sustainability issues. She chairs the council of Herschel Girls School. Alexandra was appointed to the board in May 2008.

## HUGO NELSON

Independent non-executive director, 46  
MBChB, MBA (Oxon), CFA  
Appointed 7 November 2016

Hugo is founding partner of Fortitude Vincimus Capital Advisors (Pty) Ltd. He is a former CEO of Coronation Fund Managers (2007 to 2013), prior to which he was a member of the investment team of the business for eight years. Hugo is a medical doctor who found his way into investment management via an MBA completed at Oxford University. He is a CFA charterholder. Hugo is a trustee of the DG Murray Trust and a patron of George Whitfield College.

## BOARD COMPOSITION AND COMMITTEES

### BOARD OF DIRECTORS .....

In our relentless pursuit to earn and maintain our clients' trust, we believe in robust corporate governance practices that drive the highest degree of integrity. The board has full and effective control of the group, which is exercised through senior management and subsidiary boards.

As at 30 September 2016, Coronation's unitary board comprised two executive directors and five independent non-executive directors. On 7 November 2016, Dr Hugo Nelson, a sixth 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 40 and 41.

The board provides strategic direction to management and approves the implementation of strategy to create sustainable value for all stakeholders. Its responsibilities include monitoring group performance, overseeing risk management structures and ensuring that the company culture and values support the group's corporate objectives. Senior management is accountable for the development and implementation of strategy and policies.

The board is accountable to shareholders and is responsible for overseeing the management of relationships with the various stakeholders. In fulfilling its responsibilities, the board is aware of the importance of achieving economic performance while conforming to governance principles. All directors are also entitled to seek independent professional advice with regard to the affairs of the company. The company secretary may assist directors, board committees and their members in obtaining professional advice.

Mr Shams Pather is the only independent non-executive director who has been a member of the board for longer than nine years. In terms of King III, any tenure in office exceeding a period of nine years by an independent non-executive director is subjected to a rigorous review by the board. As at September 2016, the board considered various assessment criteria which would likely affect, or appear to affect, Mr Pather's character and judgement. These criteria consisted of relationships and circumstances which could give rise to a material interest in the company. The board concluded that, in each circumstance, the independence of Mr Pather's character and judgement was not impaired by his length of service.

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 non-executive directors are required to retire from their appointment each year. The directors who are required to retire are those who have been in office the longest since their last election or appointment. The retiring directors may make themselves eligible for re-election (refer to page 91 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 to director remuneration on pages 68 and 69).

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. The non-executive directors are provided with comprehensive information on the business and are updated on business developments between board meetings. The board met on five occasions during the 2016 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.

As at 30 September 2016, the board and its three committees comprised the audit and risk committee, remuneration and nominations committee and the social, ethics and transformation committee as 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
Lulama Boyce <sup>1</sup>	Director			
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			

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

\* Chair on matters relating to the nomination and appointment of individuals.

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

<sup>2</sup> Executive.

Attendance at the meeting of the board and the committees as at 30 September 2016 was as follows:

	BOARD OF DIRECTORS	AUDIT AND RISK COMMITTEE	SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE	REMUNERATION AND NOMINATIONS COMMITTEE
Shams Pather	100%	100%		100%
Lulama Boyce	100%			
Judith February	100%		100%	
Jock McKenzie	100%	100%		100%
Alexandra Watson	100%	100%	100%	
Anton Pillay	100%		100%	
John Snalam	100%			

## AUDIT AND RISK COMMITTEE .....

The audit and risk committee performs its responsibilities on behalf of the group and all its subsidiaries, including 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. The committee is guided by an audit and risk committee charter available on our website ([www.coronation.com](http://www.coronation.com)), which more fully describes the role and function of the committee.

The audit and risk committee comprises three independent non-executive directors: Prof Alexandra Watson (chair), Mr Jock McKenzie and chairman of the board, Mr Shams Pather. With effect from 7 November 2016, independent non-executive director Dr Hugo Nelson was appointed to the committee.

The audit and risk committee is established by the board to assist the board in discharging its duties relating, inter alia, to:

- safeguarding assets;
- managing risk, compliance and internal control adequately and effectively;
- managing strategic and major financial risks;
- overseeing information technology, operations, risks and controls;
- preparing accurate integrated reporting and financial statements; and
- recommending the appointment of the external auditor to shareholders and evaluating the performance of the incumbent.



The committee meets at least three times a year – in May, August and November. Additional meetings are held on an ad hoc basis if required. The committee met three times during the 2016 financial year, with full attendance at all meetings by members of the committee. The chairman of the committee reports on the status of the external audit, operational risk assurance, compliance and risk management functions at meetings of the board of directors.

In exercising its oversight of the internal control environment and the effectiveness of risk management, the audit and risk committee is assisted by providers within the combined assurance model, more fully discussed on pages 52 and 53. Management is accountable to the audit and risk committee for the establishment of sound systems of internal control and risk management across all processes to ensure effective daily operations, as well as compliance with all applicable legislation and internal policies.

During the year, the committee approved the external auditor's terms of engagement and scope of work. It also reviewed the operational risk assurance plan (including internal audit) aimed at providing assurance in respect of key risk areas across the business. The committee received regular external audit and operational risk assurance reports on the results of planned engagements.

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.

The chief financial officer, internal and external auditors, risk assurance manager and 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, Mr 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.

## REMUNERATION AND NOMINATIONS COMMITTEE .....

A primary objective of the committee is to ensure that the group remuneration policy structures and processes are appropriate for the achievement of the group's overall business strategy, objectives, values and long-term interests, and applied in an independent and objective manner to provide assurance to stakeholders. The committee ensures optimal remuneration structures that appropriately reward employees for their individual and team-based contribution to the performance and long-term success of the business. In line with our long-term approach to investing on behalf of our clients, specific focus is given to incentives and longer-term remuneration structures. The committee also has responsibility to ensure that the group nominations policy caters for succession planning across key areas of the business, and to ensure that the board is resourced with individuals who have the appropriate expertise, qualifications and experience to fulfil the role of company director.

The remuneration and nominations committee is a combined committee, consisting of two independent non-executive directors who operate under formal terms of reference. On matters that relate to the nomination and appointment of individuals, the committee is chaired by independent non-executive director and chairman of the board, Mr Shams Pather; on matters of remuneration, by independent non-executive director, Mr Jock McKenzie. The CEO or any other manager's attendance at meetings is by invitation with the purpose of assisting in the execution of the committee's mandate. With effect from 7 November 2016, independent non-executive director Dr Hugo Nelson was appointed to the committee.

The committee meets three times a year – in April, September and October, as well as on an ad hoc basis if required. During the 2016 financial year, there was full attendance at all meetings by members of the committee.

The committee adheres to good corporate governance practices and reporting standards by conducting regular reviews of all relevant policies and plans. For reference purposes, it makes use of independent benchmarking studies and comparisons of local and international remuneration practices within the investment industry.

The board reviewed the performance of the committee and is of the opinion that it has effectively discharged its responsibilities, as contained in its terms of reference.

For further details, refer to the remuneration report on pages 59 to 69. Please see the committee charter in the shareholder information section of our website ([www.coronation.com](http://www.coronation.com)).

## SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE .....

In line with the company's long-term objectives and corporate governance requirements, the objectives of the committee are to uphold, monitor and report on organisational ethics, transformation and responsible corporate citizenship. Its focus also extends to broader ethical issues in the industry and the inclusion of ESG as part of the investment governance process. The policy, strategy and structure that put effect to these stated objectives are presented to the board for approval. The social, ethics and transformation charter is available for review in the shareholder information section of our website ([www.coronation.com](http://www.coronation.com)). The charter is reviewed on an annual basis and approved by the board. The committee comprises independent non-executive director Ms Judith February (chair), independent non-executive director Prof Alexandra Watson and executive director Mr Anton Pillay. To assist the committee in the execution of its mandate, managers are invited to attend meetings as required. The committee met on two occasions during the 2016 financial year.

In its deliberations, the committee considers substantive local and international regulatory frameworks and developments and industry best practice. It oversees the monitoring, assessment and measurement of group activities as they relate to social and economic development, transformation and ethics, including the group's standing in terms of the goals and purposes of, inter alia, the following:

- United Nations Global Compact 10 principles
- OECD recommendations regarding corruption
- Employment Equity Act
- Broad-Based Black Economic Empowerment Act

The committee reviews all transformation strategies and measures their respective impact. Ultimately, it seeks to ensure that meaningful transformation is taking place within the business with regard to recruitment, employee retention, work environment and career development. It also plays a monitoring role in relation to enterprise development, preferential procurement and related matters created to provide a beneficial impact on the transformation of the business, and the industry more broadly. The committee also fulfils a monitoring role of the company's labour and employment practices. In discharging these responsibilities, it considers the company's vision, legal and regulatory frameworks and industry scorecards.

Good corporate citizenship plays a vital role in ensuring the sustainability of the business. The committee oversees the promotion of equality, prevention of unfair discrimination, and the group's contribution to the development of the communities in which it operates. It plays a guiding role in effecting the corporate social investment strategy, which focuses on social impact investing to ensure the upliftment of society through the many long-term programmes developed to empower individuals and communities.

With specific regard to the environment, the committee considers health and public safety in the creation of good working conditions for employees and assesses and monitors its impact in relation to group activities, products and services.

The committee relies on management for the implementation of strategies and initiatives, of which the primary contributors are the executive committee, employment equity and corporate social investment committees. The committee completed a self-assessment during the 2016 year, and is of the opinion that it has effectively discharged its responsibilities in terms of its new broader mandate.

For further details on the committee's areas of influence, please refer to:

Code of ethics and conduct:	page 55
Investment governance process:	pages 56 – 58
Transformation:	pages 70 – 73
Social impact investing:	pages 74 – 79

## RISK MANAGEMENT

The group risk management strategy and framework (framework) guides the identification, measurement, management and escalation of risk, and the development of an assurance plan in relation to our risk universe. We adopt a top-down approach to risk identification, which considers the external environment and implements strategic planning to identify key strategic risks, as well as a bottom-up approach to identify risks at an operational and business process level.

The board is ultimately responsible for ensuring that risks are managed effectively. The board sets the risk appetite, which is the level of risk it is willing to take in order to deliver its strategic objectives. The board is kept informed regarding risk management through interaction between executive members of the board and senior management. During board meetings, more structured feedback on risk is provided by the chairman of the audit and risk committee. 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.

Risk is an inherent part of any business. Risk management is a multi-faceted discipline which requires appropriate governance, independent monitoring, frequent communication, the application of judgement and detailed knowledge of specialised products and markets. The framework assists Coronation in safeguarding client assets, protecting the interests of all stakeholders and satisfying regulatory requirements, thereby ensuring the long-term sustainability of the business.

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 risk consciousness into the organisation's daily decision-making and implementation processes;
- identify and manage risks within the risk appetite and risk tolerance parameters, which are aligned to 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; and
- comply with appropriate risk management practices in terms of corporate governance guidelines.

The framework 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. Furthermore, identified key risks are an important contributor towards developing our dynamic operational risk assurance plan (see combined assurance on pages 52 and 53). We recognise 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 has delegated responsibility for the implementation of the framework to the executive committee and management in the operating companies. Management, as the first line of assurance, takes an active role in day-to-day risk management, including adherence to the framework and ensuring that controls established to manage risks are effective. The board has delegated oversight of risk governance to the audit and risk committee. The audit and risk committee is supported by the risk function, comprising the risk officer and risk assurance manager. The risk officer is responsible for ensuring that policies and procedures are established for measuring, managing and reporting risk. The risk assurance manager is responsible for the design and implementation of the operational risk assurance plan. All audit and risk committee meetings are attended by the global head of risk and compliance, the risk officer and the risk assurance manager, who formally report to the committee at each meeting.

Coronation has developed, implemented and continuously improves the 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.

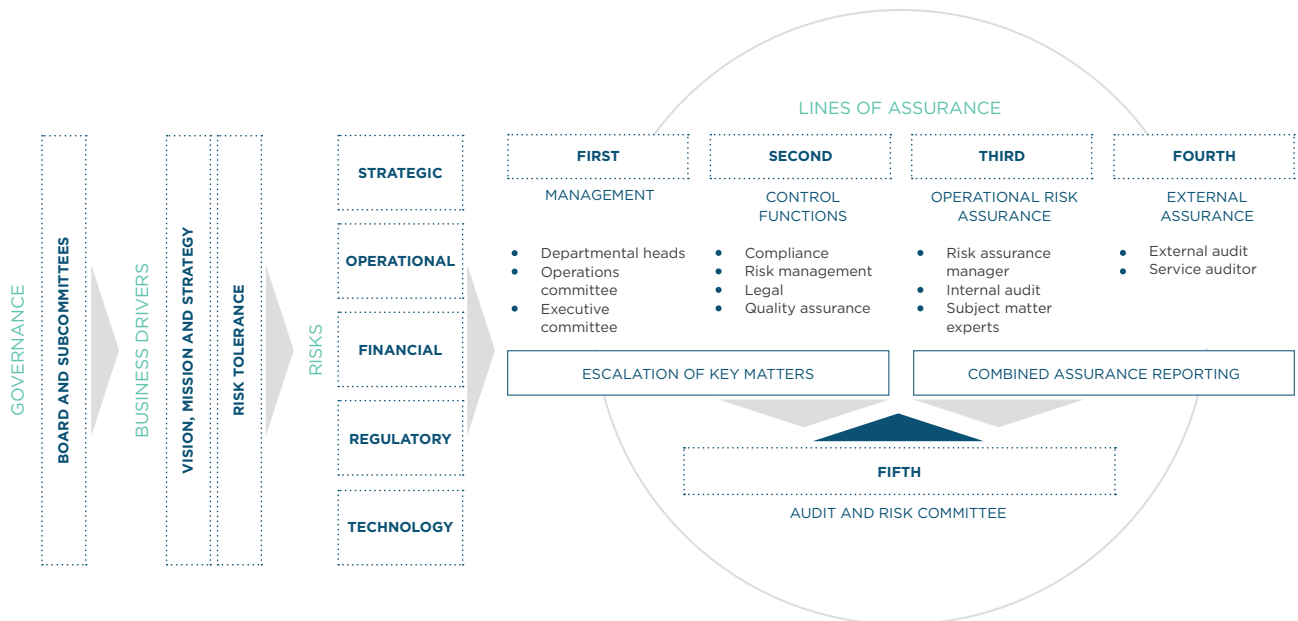
Outlined below are our key identified risk types facing the business, along with the relevant mitigating controls which have been implemented.

RISK	DEFINITION	MANAGEMENT AND MITIGATION
Outsourcing risk	Financial or reputational loss as a result of poor service delivery from outsourced service providers	Extensive oversight of outsourced service providers, including formal monitoring, day-to-day engagement, regular interaction with senior management and periodic formal on-site due diligence.
Credit risk	Loss resulting from a counterparty's inability to meet its obligations in terms of an existing contract, or failure to service its debt timeously	The counterparty and credit risk committee oversee the credit risk management process. Conservative credit analysis and credit exposure guidelines reduce excessive exposure to high-risk counterparties. Adherence to the credit risk guidelines is monitored daily.
Investment performance risk	Client positions will be adversely affected by market movements resulting in poor investment performance relative to benchmarks	All client assets are managed by a single global investment team of highly talented individuals. We employ a single investment philosophy, the defining feature of which is its long time horizon, and maintain strict compliance with our robust investment process.
Liquidity risk	Coronation will not be able to meet its payment obligations as they fall due	The finance department produces monthly forecasted management accounts to determine and monitor liquidity requirements. The compliance department monitors regulatory capital adequacy requirements.

RISK	DEFINITION	MANAGEMENT AND MITIGATION
Operational risk	Operational processes and controls may be inadequate and/or ineffective for the needs of the business	Our combined assurance model, including an annual operational risk assurance plan (approved by the audit and risk committee) assesses the design and operating effectiveness of our control environment.
Reputational risk	An action, event or transaction that may compromise the Coronation brand	Our ownership culture and robust policy framework ensure that brand protection is top of mind, drive our behaviour and protect stakeholder interests.
Human resource risk	Difficulties in attracting, retaining and motivating top talent	We foster a high-performance culture and environment that attracts top talent. In addition, the remuneration policy is designed to attract, retain and motivate great talent. Furthermore, employee ownership and personal career development are entrenched in our culture. We also maintain and review key employee succession plans on a continuous basis.
Compliance, regulatory and legal risk	Non-adherence to regulation and legislation	We have an experienced in-house global legal and compliance team, as well as a panel of seasoned external advisers. This allows us to identify and manage compliance obligations. In addition, on-the-job training for employees, training and awareness programmes, as well as appropriate processes and controls further mitigate the risk of non-compliance with legislative and regulatory obligations.
New business risk	The risk associated with the creation of relevant product to match investor needs	Product development, in response to changing needs of investors, comprises in-depth research and viability assessments, followed by an exhaustive internal authorisation and approval process.
Information Technology (IT) risk	IT, infrastructure and systems fail to meet evolving operational requirements and high service standards	The IT steering committee provides a platform for strategic discussion, decision-making and management of all IT and system tasks, requirements and projects.

RISK	DEFINITION	MANAGEMENT AND MITIGATION
Cyber risk	Ineffective management of cyberthreats that may significantly disrupt core operations, cause financial loss and damage our reputation	Cyber risk is holistically managed across people, process and technology. This includes appropriate policies, ongoing employee awareness and periodic subject matter expert assessments of our technical readiness. Furthermore, we maintain a well-established and tested disaster recovery plan.
Fraud risk	Clients are exposed to and may potentially become victims of fraudulent activities	Operational processes and controls are designed to identify and prevent fraudulent activity. External assurance is obtained to ensure consistent application of the agreed controls in all high-risk areas. We remain aware of emerging fraud trends through participation in industry forums.
Disaster recovery and business continuity	Inability to operate due to an unforeseen event or disaster	Comprehensive business continuity and disaster recovery plans are designed and tested annually to ensure complete restoration of core business functions in the event of a disaster.
Tax risk	Incorrect application of relevant tax legislation	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 to perform reviews of tax risks, risk mitigation and monitoring.
Transformation risk	Not responding in a considered manner in achieving true transformation and potential non-compliance with the Financial Sector Charter	The group has a robust recruitment process that identifies and attracts black talent. Policies and processes that retain and motivate great talent are in place. Senior management, the human resources department and the social and ethics committee monitor the company's employment strategy in relation to employment equity goals.
Data protection risk	Client data is inadequately protected	Appropriate policies and procedures are in place. We conduct ongoing employee training and awareness and periodically engage subject matter experts to assess and test our IT security controls.

To monitor the effective management of risk, we have implemented a combined assurance model which recognises five lines of assurance, as detailed below:



This approach promotes an efficient and holistic approach to the design and management of assurance activities across the group.

With specific regard to the third and fourth lines of assurance, we employ the services of a broad range of assurance providers and subject matter experts best suited to each particular assurance requirement, thereby maximising the added value to the group. This is achieved through the development of an annual operational risk assurance plan (plan), which includes planned assurance activities throughout the financial year, approved by the audit and risk committee. The plan is developed in close consultation with senior management, analysis of the risk register and the results of assurance activities. The operational risk assurance charter, approved by the audit and risk committee chair, sets forth the nature, scope and purpose of the operational risk assurance function, which includes internal audit as one pillar of assurance.

The fourth line of assurance includes independent external assurance, the results of which are publicly available, and is therefore primarily directed towards the group's shareholders and clients. This includes the annual financial audit, conducted by the group external auditor, EY, as well as assurance in accordance with the International Standards on Assurance Engagements – Assurance Reports on Controls at a Service Organisation (ISAE 3402 type II) conducted by KPMG.



EY were appointed external auditor in 2011, with the incumbent designated audit partner appointed in 2013.

To facilitate the effective design, implementation and continuous monitoring of the combined assurance activities across the group, a risk assurance manager was employed in October 2015. The responsibilities of this role include collaborating with senior management, the risk officer and all external service providers to ensure optimal coverage of material risks in the third and fourth lines of assurance. The risk assurance manager has free and unrestricted access to the audit and risk committee to maintain the appropriate level of independence.

The results of work performed by each assurance provider are reported in its original format to the audit and risk committee. This, coupled with the employment of a broad range of service providers, ensures that the committee obtains the appropriate level of independent and objective assurance.

Nothing has come to the attention of the audit and risk committee to indicate any material breakdown in the system of control during the year under review.

## COMPLIANCE

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

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

The compliance programme is built through identifying and understanding the full universe of relevant regulation, providing employee training and ensuring that appropriate compliance requirements are embedded in our processes and controls. To test adherence to regulatory obligations on an ongoing basis, we execute appropriate risk-based compliance monitoring plans and employ external assurance providers.

Frequent interaction between the compliance team and business/operational employees is facilitated by key business and operational functions being centralised on one floor in our Cape Town headquarters. The head of global risk and compliance is in direct and regular contact with the chief executive officer, chief operating officer, chief financial officer and senior management, and attends key management and governance meetings. In addition to attending the audit and risk committee meetings and reporting to the committee, the head of global risk and compliance periodically holds one-on-one meetings 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, a compliance officer based in Dublin and an external compliance consultant in London. In line with our 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.

## KING III .....

Earning and maintaining client trust is the foundation upon which our business has been built. As a leader within the South African asset management industry, we have a responsibility to conduct ourselves in a sustainable manner, to lead ethically and with integrity, as well as to act in a responsible manner. Therefore, the principles set out in King III supplement our business ethos in driving robust governance structures and good corporate citizenship.

Coronation has utilised the Governance Assessment Instrument (GAI), as developed and licensed by the Institute of Directors in Southern Africa, as the monitoring tool to provide assurance that every recommended practice in King III has been considered. The directors are of the opinion that Coronation has fully applied the principles of the Code of Corporate Practices and Conduct with respect to the 2016 financial year as set out in King III, excluding principle 9.3 in relation to obtaining independent assurance of sustainability

reporting and disclosure. The board is satisfied with the current risk-based assurance obtained, as well as the audit and risk committee's oversight of the integrated report. The board does not consider external assurance of sustainability disclosures necessary at this stage; however, this position will be periodically re-evaluated. Additionally, in terms of practice 8.5.4, two information requests from a single shareholder were declined in terms of the Promotion of Access to Information Act of 2000 (PAIA). Both requests were denied on the basis that they did not meet the threshold requirement as set out in Section 51(a) of PAIA. Please refer to our website ([www.coronation.com](http://www.coronation.com)) for the detail of our King III evaluation.

## COMPANY SECRETARY .....

The board selects and appoints the company secretary and recognises the importance of this role in entrenching good corporate governance. All directors have unlimited access to the services of the company secretary, who in turn has access to appropriate resources in the provision of this support.

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.

## CODE OF ETHICS .....

We strive to be leaders in promoting the highest standards of ethical behaviour and professional excellence. High ethical standards are critical to maintaining stakeholder trust in Coronation, the financial markets and the investment profession. 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 (see pages 16 to 19).

All employees are required to conduct themselves in accordance with our code of ethics, client charter and our six values (refer to pages 12, 13, 23 and 55). In addition, all employees 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.

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

## 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 employees 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.

## INVESTMENT GOVERNANCE PROCESS .....

As stewards of our clients' capital, we have the fiduciary responsibility to ensure that the companies in which we invest are managed in a sustainable manner. In effecting this duty, Coronation is an active shareholder.

When we value businesses, we incorporate the sustainability of a business, reflected in the discount rate applied to its cash flows. As part of the investment process, an in-depth analysis of the company is performed by the investment analyst. This includes sound quantitative and qualitative analysis of all significant environmental, social and governance-related (ESG) 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 investment 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, the 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 table below. Ancillary to the guidelines, investment analysts apply considered judgement to each proxy vote in consultation with the chief investment officer. Wherever possible, Coronation will timeously raise its concerns with management so as to afford management the opportunity to address the concerns ahead of voting. A full record of all proxy voting is available 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 four years:

	2016	2015	2014	2013	2012
Total number of meetings*	205	250	200	223	221
Number of resolutions	2 799	2 347	2 767	2 898	2 918
Voted in favour	2 643	2 223	2 606	2 702	2 721
Voted against	151	121	157	191	195
Abstained from voting	5	3	4	5	2

\* AGMs, general and extraordinary general meetings.

Voting at AGMs is only part of our responsibility to investors. It is our experience that the majority of the heavy lifting takes place outside of the AGM. Over the course of a year, we interact with, and challenge, company management across a variety of issues. During the 2016 financial year, 33 formal engagements were held with company management on 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 United Nations' Principles for Responsible Investment (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.

## PERSONAL ACCOUNT INVESTMENTS .....

All employees 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 employee 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 when a trade is complete or quarterly transaction statements
- Biannual declaration of broker holdings statements

In addition, all directors and employees 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 annual results on SENS, and during times when a cautionary announcement is made.

Coronation and its subsidiaries comply with the continuing obligations of the JSE Listings Requirements 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 JSE Listings Requirements.

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 JSE Listings Requirements; and
- 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.

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# REMUNERATION REPORT

## CHAIRMAN'S STATEMENT

### INTRODUCTION .....

On behalf of the board, I am pleased to present our remuneration report for the year to September 2016, which is aimed at clearly communicating our philosophy and guiding principles on remuneration to all stakeholders. There are two parts to the report:

- Group remuneration policy (see pages 64 to 67)
- Director remuneration (pages 68 and 69)

The group remuneration policy provides the board-approved remuneration policy for Coronation and will be subject to a non-binding shareholder vote at the AGM. Director remuneration explains how the policy has been applied during the year. Below we provide context to the genesis of our group remuneration policy and an overview of its structure.

### PHILOSOPHY AND PRINCIPLES .....

Coronation continues to apply the remuneration philosophy that was adopted at its inception in 1993. As an independent asset manager, we depend on our people to deliver investment performance that outperforms the relevant benchmarks over meaningful periods of time, and to provide excellent client service. To build a globally competitive business in a world where intellectual capital is highly mobile, it is imperative that our remuneration framework is relevant and globally competitive.

Remuneration of employees has become a huge focus among corporates over the years. While many consulting industries have emerged to advise and structure ever more complex schemes, remuneration outcomes remain as controversial as ever. At Coronation, we believe our simple and straightforward model is the optimal solution to ensure alignment between employees and all stakeholders. By making the largest component of remuneration flexible, shareholders are shielded in periods of poor performance and a symmetric payoff profile is created for employees.

Through its structure and implementation, we seek a holistic approach that mitigates risk and aligns the interests of all stakeholders. When we contemplate remuneration, it is within the context of attracting, retaining and motivating talented individuals in a highly competitive industry. The core principles driving our policy are as follows:

- **Stakeholder alignment:** Remuneration should be symmetrical and entrench the culture of employee ownership.
- **Simplicity:** The remuneration structure should be clear, easy to understand and implement, and should ensure that remuneration is directly linked to performance.
- **Fairness:** Employees must be appropriately rewarded for the value they created for all stakeholders based on corporate and individual performance.
- **Support the creation of long-term value:** Remuneration should be linked to delivering long-term value for our clients, while incentivising long-term retention of high-performance employees through deferred remuneration.

Coronation's remuneration policy is aligned with its overall business strategy, objectives, values and long-term interests as a fund management business that is focused on generating long-term investment returns for its clients.

Embedded in its structure and implementation is the understanding that the company's only significant assets are its employees. As an independent fund manager that is on 24 hours' notice with all our clients, we depend on our people to deliver portfolios that outperform their benchmarks over meaningful periods of time and provide excellent client service. It is their collective output that drives Coronation's success, and as such their retention and appropriate incentivisation are key to our long-term success.

For more than 20 years, the Coronation brand has been built on teams of exceptional people delivering on the promise to always put clients first. Through its unique ownership culture, entrenched at inception through its employee variable remuneration, Coronation has grown from humble beginnings, with no clients or assets in 1993, to the major player in the global savings industry that it is today.

Our remuneration policy is aligned with and supports our values and culture, as articulated below:

**Long-term thinking:** Coronation's defining value proposition is its long time horizon; it is how we manage investments; how we manage our business and how we attract, retain and motivate talented individuals. While we look at the most recent 12-month performance period when assessing an individual's performance, it is their contribution over the longer term that is given the greatest focus. A high percentage of total remuneration is apportioned to deferred remuneration.

**Always put clients first:** Clients' interests come before all other stakeholders. If we are successful in putting our clients' needs first and in delivering market-beating returns, all stakeholders will prosper.

**Ownership:** It is important that employees feel and behave like long-term owners of the business. Coronation endeavours to retain the soul of a boutique investment house. It is critical that employees are empowered, and take accountability and responsibility for the performance of the business. In aligning employees' interests with those of the organisation, all stakeholders benefit. Ownership is broader than owning a tangible share in the company – it is a mindset created through sharing in the risks and rewards of the company's performance.

**Team-based organisation:** Poorly implemented individual remuneration can result in dysfunctional and unintended outcomes in organisations. It is critical that, as a consequence of the remuneration process, employees do not pursue personal interests at the expense of the team or the organisation.

**Strong performance culture:** Employees are rewarded for outstanding and excellent performance. We believe that a variable remuneration structure is a powerful tool in aligning employees' interests with those of our clients and other stakeholders. Employees not only share in the company's success, but also experience the effects of a decline in earnings. An effective balance is achieved between cash and deferred remuneration to ensure alignment with stakeholder interests, business sustainability and the company's long-term ethos. A meaningful level of remuneration is structured for the long-term benefit of the business (vesting periods are extended to as far as 2021 and a significant number of employees are on restraints of trade and extended notice periods), which makes provision for key employee retention during difficult periods that may eventuate in future years.



**Always act with integrity:** The remuneration structures and their implementation are simple and easy to understand, which avoids unintended consequences. Good corporate governance is applied and the approach to remuneration is consistent with, and promotes, sound and effective risk management.

## A FIT-FOR-PURPOSE MODEL .....

At Coronation, total remuneration comprises fixed and variable remuneration for all employees. As a long-term fund manager, the objective is to give employees a low fixed salary. In the case of senior employees, it is capped at a fraction of market-related salaries. This results in the mix being heavily skewed to performance-based variable remuneration, which enables the company to meaningfully reward those individuals who contribute to its long-term success. Further, it entrenches the high-performance culture of the organisation.

Our performance assessment process is holistic. This enables us to make an assessment of an individual without excessive reliance on mechanistic, quantitative metrics or key performance indicators. The assessment process thus does not shy away from qualitative considerations, which are as important in the performance assessment process as quantitative metrics. An open and transparent review with the employee ensures meaningful alignment of remuneration outcomes to business performance achieved for a cyclical business such as ours.

The genesis of the annual variable component of the remuneration policy was at the formation of the business in 1993 when a group of investment professionals left an established institution to start a pure fund management business. With zero assets and zero clients, the agreement with shareholders was to deliver market-beating returns and grow the client base in return for a share in the value they created. The annual variable remuneration is set at a fixed 30% of audited annual consolidated net operating profit before taxation and has been a cornerstone of the company's success over the past 23 years. It underpins the company's values and strong performance-driven culture, and has enabled Coronation employees to share in the value they have created for all stakeholders. It is a tool that has demonstrated its value to all stakeholders and represents a contractual commitment between the company and its employees.

The annual variable remuneration is applied across the entire organisation and can take the form of cash payments, payments for restraint of trade undertakings and notice period extensions, and deferred remuneration. It is broad based and, unlike many organisations, it is not the preserve of senior executives, but is allocated to all employees of the group as depicted in the broad-based participation table (overleaf).

This contrasts with the typical corporate remuneration structure where, along with market-related fixed salaries, employees enjoy a number of asymmetric benefits – where employees benefit when results are good, but have no downside in tough times. Share options are a potential example of this. At Coronation, save a small initial grant at listing, we have never issued employees with share options.

## BROAD-BASED PARTICIPATION

YEAR	RESTRAINT OF TRADE	EXTENDED NOTICE PERIOD	BENEFICIARIES OF DEFERRED VARIABLE REMUNERATION
2016	29%	63%	41%
2015	27%	58%	42%
2014	27%	51%	41%

Percentages pertain to total employee complement of the relevant year.

We ensure alignment with stakeholder interests, business sustainability and the company's long-term ethos by creating an effective balance between cash and deferred remuneration. In good performance years, a meaningful level of remuneration is structured as deferred remuneration, restraints of trade and extended notice periods for the long-term benefit of the business. This makes provision for key employee retention and business sustainability during difficult periods that may eventuate in future years. See the table below for allocation to long term:

YEAR	% OF VARIABLE REMUNERATION ALLOCATED TO LONG TERM*
2016	57%
2015	55%
2014	59%

\* Deferred remuneration, restraints of trade and extended notice periods.

Deferred remuneration is invested in Coronation Fund Managers (CML) shares or Coronation unit trusts (through the CFM Deferred Remuneration Trust), which provides a direct long-term linkage between shareholder/client returns and employee rewards. As a meritocracy, the same vesting conditions apply to all employees – vesting periods typically range from one to three years, but have been stretched out as far as seven years in the recent past. In order for deferred remuneration to vest, an employee must be in the employ of the company (not serving notice) at the date of vesting. Further, if he/she sells his/her direct CML shareholding (in part or full), a condition applies whereby a substantial portion of his/her vestings will be forfeited.

Employee share ownership is a critical aspect of our culture and I am pleased to report that 25% of Coronation is owned by employees across all levels of the business. This further ensures long-term alignment of stakeholder interests.

## CONCLUSION

Coronation has been extremely successful over the last two decades, and its remuneration policy has been a cornerstone of this success. I believe that it is a fair policy, one that allows employees to share in the value they create, ensures alignment with other stakeholders and strongly supports the company's culture (with ownership and a commitment to the long term being the most important).



Our clients consistently tell us how remarkable it is that our employees have shown such commitment to the business. All of our senior employees have signed unusually long notice periods (up to 12 months) and unusually long restraint of trade agreements (up to 12 months). In an industry with low barriers to entry, where many of our senior employees are theoretically candidates to leave and start their own successful investment boutiques, this is something to be proud of. In addition, all of our senior employees have committed to retaining their Coronation Fund Managers shares for the duration of their employ (which denies them the opportunity to sell at times when they feel the share is overvalued). This kind of extraordinary commitment to the business is only achievable when employees can trust the organisation to treat them fairly and where employees serve to deepen and strengthen the foundations of the business. This commitment, we believe, ultimately benefits all stakeholders. We believe this to be the reason for the very strong growth of the business over time.

As in the past, we look forward to your continued support.

**Jock McKenzie**

*Chairman of the group remuneration committee*

## REMUNERATION POLICY

### INTRODUCTION

This remuneration policy applies to all companies within the group and to all group employees. The group includes Coronation Fund Managers Ltd (Coronation Fund Managers) and all companies that, from time to time, qualify directly or indirectly as subsidiaries of Coronation Fund Managers.

Coronation's remuneration policy is aligned with its long-term corporate objectives and strategy. The group is a fund management business focused on generating excellent long-term investment returns for its clients. It is important that this policy is aligned with the overall business strategy, objectives, values and long-term interests of the group. Embedded in its structure and implementation is the understanding that the only significant assets of Coronation are its employees. It is their collective output that drives the success of the group and their retention and appropriate incentivisation are key to its long-term success. This policy is accordingly aimed at ensuring that:

- the remuneration process supports the Coronation values, specifically:
  - focusing on long-term outcomes – all decision-making, both in business and investment management, is made with a long-term view, regardless of any potential short-term benefit;
  - always putting clients first – clients' interests come before all other stakeholders and if the Coronation Group is successful in delivering on this promise, all stakeholders will prosper;
  - creating a culture of ownership – it is important that employees feel and behave like long-term owners of the business; and
  - recognising that Coronation is a team-based organisation. It is critical that, as a consequence of the remuneration process, employees do not pursue personal interests at the expense of the organisation. It is essential that the performance appraisal process balances the performance of the individual with that of the team in which he/she operates and the broader organisation.
- Coronation is able to attract, retain and motivate highly talented and sought-after individuals.
- employees are rewarded for outstanding and excellent performance. This is essential if the group's remuneration process is to successfully support its strong performance culture.
- the remuneration structures and implementation are simple and easy to understand, and result in as few unintended consequences as possible.
- the remuneration process is holistic enough to be able to make an assessment of the performance of an individual without excessive reliance on mechanistic quantitative metrics or key performance indicators. These quantitative metrics can often be attained by pursuing means which result in unintended group outcomes. The assessment process should therefore not shy away from qualitative considerations, which are often more revealing of an individual's performance than his/her performance when measured against quantitative metrics.
- the rewards for excellent performance should align employees' interests with that of the broader organisation and its clients. This is best achieved through a variable remuneration structure that allows employees to share in the group's success, but also requires them to participate in any decline in the group's earnings.
- an effective balance is achieved between cash and deferred remuneration to ensure alignment with stakeholder interests, business sustainability and the group's long-term ethos.
- good corporate governance in relation to remuneration is applied and the approach to remuneration is consistent with, and promotes, sound and effective risk management.

## REMUNERATION GOVERNANCE AND PRINCIPLES .....

### GOVERNANCE

The Coronation group remuneration and nominations committee (Remco) is responsible for the implementation of this remuneration policy. It is constituted in such a way as to enable it to exercise competent and independent judgement on remuneration policies and practices. The Remco should have at least two independent members, ideally with experience and knowledge of the investment industry, which are necessary to exercise sound judgement.

Moreover, the Remco is responsible for key decisions regarding remuneration, including those with implications for the overall risk management of Coronation.

The Remco charter provides comprehensive details on the composition, roles and responsibilities of the Remco and is available on our website ([www.coronation.com](http://www.coronation.com)).

### PRINCIPLES

A key characteristic of the remuneration policy is that it is simple and avoids complicated structures that can result in unintended outcomes. Total employee remuneration consists of fixed and variable (performance-based) remuneration for all employees of Coronation.

Fixed remuneration is determined based on an employee's role and responsibilities and on market conditions. For senior employees, the group will endeavour to set fixed remuneration below market-related levels. In the case of its most senior employees, the differential should be material.

The variable remuneration component enables employees to share in the value that they have created for all stakeholders. Its application has been the cornerstone of the company's success over more than two decades and underpins the company's values. It entrenches ownership and a strong performance culture, and aligns employees and shareholders' interests through the symmetrical manner in which employees share in the group's success and any decline in earnings.

In determining the total remuneration of an employee, due consideration is given to individual performance over the longer term, as well as the most recent 12-month period. An individual's performance as part of the team in which he/she operates is also considered. The performance assessment process is holistic and gives as much consideration to qualitative as quantitative metrics.

The genesis of the agreed annual variable component of the remuneration policy occurred at the inception of the group in 1993 where variable remuneration was introduced to share the risks and rewards of ownership and incentivise employees to build a leading fund management group from a zero base. The annual variable remuneration as agreed between shareholders and employees is calculated at 30% (variable remuneration rate) of the audited annual consolidated net operating profit before taxation of the group (the variable remuneration formula). It is a tool that has demonstrated its value to all stakeholders and represents a contractual commitment between the company and its employees.

The annual variable remuneration is allocated to all employees of Coronation on an individual basis and is not allocated to departments. The allocations to employees may include the following components:

- Cash
- Payments for restraint of trade undertakings and notice period extensions
- Deferred remuneration payments, which are allocated to the CFM Deferred Remuneration Trust. These payments are utilised to purchase either Coronation Fund Managers shares or Coronation unit trusts, which are allocated to eligible employees:
  - These allocations vest in staggered percentages over periods that can range from one to seven years. As a meritocracy, the same terms and conditions apply to all eligible employees.
  - These allocations are made to employees who possess skills key to the continued success of Coronation as demonstrated by their contribution and expertise.
  - The remuneration process will endeavour to allocate more than 50% of total remuneration in deferrals to the most senior employees.
- Any other form of remuneration or incentivisation as may be approved by the Remco from time to time

Senior employees will experience more variability in their earnings due to the volatility embedded in the variable remuneration formula. Junior employees should be shielded from the volatility embedded in variable remuneration by awarding them steady and consistent annual increases based on their individual performance.

Coronation's policies encourage behaviour that is in line with the group's risk management strategy. The entrenchment of employee ownership and the deferral of a significant portion of an employee's remuneration ensures behaviour which is consistent with the risk profiles, rules and memorandum of incorporation of the entities being managed.

Variable remuneration paid to eligible employees under this policy or otherwise shall, to the maximum extent permissible in law, not form part of and be excluded from employees' remuneration for the purposes of calculating any annual leave, severance pay, notice pay or other entitlements due to the employees by law or otherwise.

Employees and managers must undertake a performance review annually (as a minimum) to assess past performance against objectives and to set new goals. The objectives set for employees should be ambitious, verifiable, relevant, quantitative and qualitative. In assessing employee performance, both qualitative and quantitative criteria must be taken into account.

Proposed remuneration allocations to eligible individual employees are formulated and management's final recommended allocations submitted to the Remco for consideration and approval. When considering and approving the final recommended allocation, the Remco will satisfy itself that the process that governs the assessment of an employee's performance is robust and fair. This will inform the recommended allocation and take into account whether it meets the group's needs and strategic objectives, and that it is consistent with and promotes effective risk management.

The Remco may make adjustments to an individual's final recommended remuneration as it objectively considers appropriate. Upon approval of the respective individual remuneration by the Remco, payments are made in accordance with such allocations, but subject to Coronation's policy on when payments of approved and allocated variable remuneration are to be made.

The Remco is responsible for ensuring that in instances of the annual variable remuneration not being fully allocated to eligible employees, the unallocated portion is retained for no longer than 12 months.

#### EMPLOYEE EQUITY OWNERSHIP

Employee ownership of Coronation Fund Managers equity contributes significantly to the culture and values of the group. As such, it is desirable to increase the employee equity ownership, where appropriate, through the purchase of Coronation shares via the CFM Deferred Remuneration Trust. However, the CFM Deferred Remuneration Trust will only purchase shares in Coronation Fund Managers (as part of deferred remuneration payments) when the share is undervalued by the market (in the opinion of the Remco).

The CFM Deferred Remuneration Trust is a fully independent vesting trust established for the housing and administration of deferred remuneration. It provides employees with the confidence that the allocations will be managed appropriately and that the underlying investments will be distributed to them in future years on condition that the relevant terms and conditions are met. The terms of the allocations do allow for forfeiture under specific circumstances.

The trustees of the CFM Deferred Remuneration Trust are independent of the executive and ensure that, once allocations have been made, the rules are strictly applied to all beneficiaries.

### NON-EXECUTIVE DIRECTOR REMUNERATION .....

Non-executive directors of Coronation receive an annual fixed fee and an attendance fee for board and subcommittee meetings as approved by shareholders at the AGM of the prior financial year. The fees are proposed and approved based on market-related factors and the duties and responsibilities of each of the functions performed by the non-executive directors.

Non-executive directors do not participate in any of the remuneration structures addressed in this policy document or receive share options.

### POLICY REVIEW .....

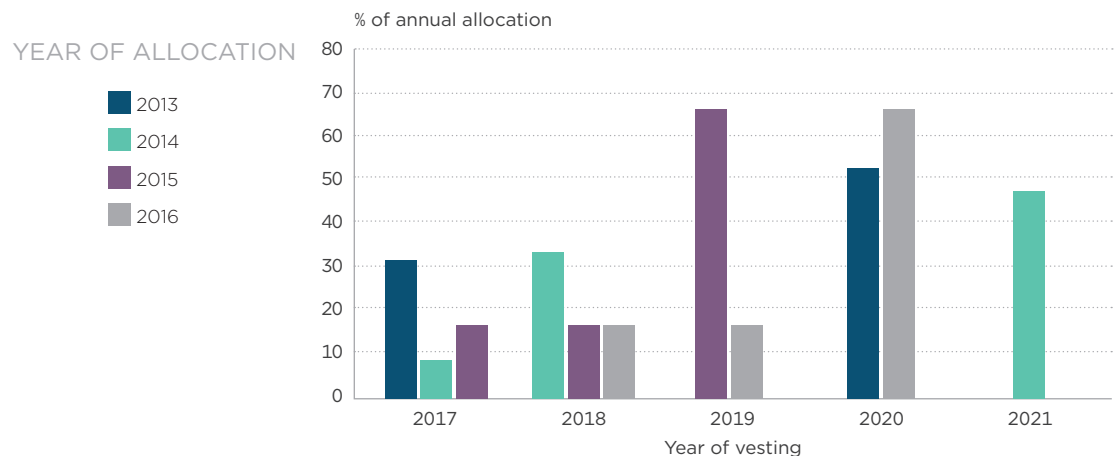
The Remco reviews and approves this policy annually and may, from time to time, in its sole and absolute discretion, review and/or amend the provisions of this policy.

## DIRECTOR REMUNERATION

The committee implemented the remuneration policy in the current year without any deviations. The fixed component of total remuneration increased by 14% to R173 million as a result of inflationary adjustments and new employees. The total employee complement was 290 as at 30 September 2016.

In the current year, 57% of variable remuneration was allocated to deferred remuneration.

For the year under review, the company awarded both Coronation Fund Managers shares, which were bought in the market, and Coronation unit trusts to eligible employees as deferred variable remuneration. In line with the remuneration policy, vesting periods of one, two and three years were applied. Given time to maturation of the outstanding seven-year award, no additional seven-year award was made. The current vesting profile of deferred variable remuneration awarded (as a percentage of annual variable remuneration awarded to date) for years one, two, three and seven, as at 30 September 2016, is as follows:



The executive directors were paid in accordance with the remuneration policy, which applies to all employees of Coronation. Their total remuneration was based on both individual performance objectives and the performance of the company.



<b>Executive directors</b>	Salary and other benefits R'000	Bonus R'000	2016 R'000	2015 R'000
Anton Pillay	1 513	9 905	11 418	12 689
John Snalam	1 513	2 297	3 810	3 597
<b>Total</b>	<b>3 026</b>	<b>12 202</b>	<b>15 228</b>	<b>16 286</b>

For non-cash emoluments, refer to the share-based payments and related party notes in the audited annual financial statements available in the shareholder information section of our website ([www.coronation.com](http://www.coronation.com)).

Both executive directors have no fixed-term contracts. Mr Anton Pillay has an abnormal notice period of 12 months and a 12-month restraint of trade. Mr John Snalam is on a three-month notice period and a six-month restraint of trade.

Executive directors' interests in shares are shown below. Directors are encouraged to have a substantial interest in the company.

Anton Pillay, chief executive officer 1.31%  
John Snalam, chief financial officer 0.16%

<b>Non-executive directors</b>	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 transformation committee meetings R'000	Total 2016 R'000	Total 2015 R'000
Shams Pather	96	400	138	138	-	772	723
Judith February	96	230	46	-	110	482	371
Jock McKenzie	96	230	138	165	-	629	569
Alexandra Watson	96	230	225	-	92	643	558
Lulama Boyce	96	230	46	-	-	372	219
<b>Total</b>	<b>480</b>	<b>1 320</b>	<b>593</b>	<b>303</b>	<b>202</b>	<b>2 898</b>	<b>2 440</b>

In addition, emoluments for services rendered to subsidiary companies for the year ended 30 September 2016 were as follows:

<b>Non-executive directors</b>	Basic fee R'000	Board meetings R'000	Total 2016 R'000	Total 2015 R'000
Shams Pather	-	64	64	60
Lulama Boyce	-	64	64	60
Alexandra Watson	-	64	64	60
<b>Total</b>	<b>-</b>	<b>192</b>	<b>192</b>	<b>180</b>

# TRANSFORMATION AND SOCIAL IMPACT INVESTING

## TRANSFORMATION

For more than two decades, we have dedicated time and resources to ensure that real transformation is embedded in our culture, our values and how we do things on a day-to-day basis. We understand that, for transformation to be effective, it has to be meaningful, substantive and sustainable. It is an integrated component of our business strategy.

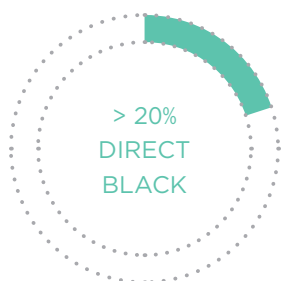
Over the years, we have made meaningful strides in transforming our business and have used our influence to effect change across the broader financial services industry. While by no means at our end goal, we are proud of what we have achieved to date.

The Financial Sector Charter (FSC) provides a benchmark against which we determine our Broad-Based Black Economic Empowerment (B-BBEE) rating. We are currently measured as a Level 3 contributor in terms of the FSC.

At the time of writing (early December 2016), the revised FSC has not yet been gazetted as a sector code in terms of the Broad-Based Black Economic Empowerment Act, No. 53 of 2003. With a change in the Financial Services Charter imminent, the change to the sector code is likely to impact our B-BBEE rating in the next rating period. This is as a result of the change in measurement criteria within certain areas of the code. The full impact of the amendment is yet to be ascertained.

## B-BBEE OWNERSHIP .....

Employee ownership is an integral part of our culture and a defining characteristic of our business. From the outset, we have always endeavoured to create an environment where our people are empowered to make decisions for the long-term benefit of clients and the business. In living this philosophy, our choice of empowerment partner was always clear.



More than 20% direct black ownership as measured in terms of the Financial Sector Code

A SIGNIFICANT NUMBER GIVEN THAT CORONATION IS ONE OF THE TOP 50 COMPANIES ON THE JSE AND MANAGES ASSETS IN THE REGION OF R600 BILLION

In 2005, we partnered with our black employees in the creation of the Imvula Trust (Imvula), the first employee-only black economic empowerment deal in the country. By working exclusively with our own people, we created a partnership that would have the most meaningful impact on our business and, over time, achieve true and meaningful social change. In the creation of a new generation of owners, we made a long-term investment in our people, our business and the economy.



The transaction was guided by the following key principles:

- True direct economic ownership from inception
- A uniquely ungeared structure
- All current and future black employees of Coronation to participate irrespective of role
- No limitations or rules to trading

Since inception, a total of 187 black individuals have directly benefited from the economic upliftment afforded through their personal shareholding in Coronation.

The more than 20% direct black shareholding in Coronation is made up of employees' direct holdings and holdings via Imvula.

#### THE ECONOMIC HISTORY OF IMVULA

<b>1 APRIL 2005</b>	Coronation sells 10% of its shareholding in Coronation Investment Management (Pty) Ltd to the Imvula Trust (Imvula) at a market-related price.
<b>29 AUGUST 2012</b>	Imvula settles all of its remaining debt, enabling all beneficiaries to participate fully in dividend payments.
<b>28 FEBRUARY 2013</b>	Imvula's 10% shareholding in Coronation Investment Management (Pty) Ltd converts to a direct 10% shareholding in Coronation Fund Managers Ltd, unlocking the full value created by the structure through ease of trade.

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.

## SKILLS DEVELOPMENT

Our people are our greatest asset. The smarter and more diverse we are as a business, the greater is our competitive advantage. Our aim is to attract the best talent, and to build and retain an exceptional team of highly motivated and productive people that will ensure the sustainability of the business.

Transformation and the creation of sustainable B-BBEE is an integral part of Coronation's business strategy, with a goal to exceed the imperatives as defined in the FSC. Transformation is a business imperative which makes practical business sense, the benefits of which extend to clients, partners, shareholders, employees 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 employees. The Coronation Mentorship Programme enables experienced employees to mentor new employees, providing guidance on company culture and work processes as well as industry insight. We currently have 12 active mentors within the business, some of whom focus specifically on mentoring our bursary students.

Teamwork, individual achievement and continuous learning are all key components of our culture. Employees 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 employees. In 2016, training spend amounting to R7 million was allocated to black employees. Furthermore, employees 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. In addition to the Coronation Management Think Labs, we offer individual coaching to employees taking on leadership roles to ensure tailor-made support and development.

Employees are responsible for ensuring that they are equipped with the necessary training to successfully fulfil their function. This may take the shape of formal or on-the-job training. In the case of the latter, employees are required to record a monthly report, including detailed content by both the trainer and trainee. To assist in identifying individual development opportunities, we embark on a consultative process between talent management, line management and employees to analyse training trends of prior years and define skills imperatives for the coming year.

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 training, as well as international conferences to ensure our employees remain world class. Other areas of training include university qualifications, short courses, including regulatory and product training, as well as softer skills training in the form of individual and group coaching, and mentorship.

We continue with our successful Coronation workplace experience internship programme (ranging from 12 to 23 months), offering unemployed graduates the opportunity to gain valuable work experience. In 2016, 10 interns were included in the programme which, since inception in 2012, has benefited a total of 35 graduates. Sixteen are currently on the programme (14 of whom are black) and of the original 35, 14 have been employed in permanent positions within our client-facing business areas (nine of whom are black). To further transform the industry, we launched our external intern programme during the course of the year – a partnership with two of our suppliers to provide graduate internships for a 12-month period. The programme is aimed at developing specific skills currently found to be in short supply in the marketplace. In addition, our bursary programme (see page 78) also plays an integral role in achieving transformation through skills development. For the 2016 year, we sponsored a total of 20 students from across the country, 17 of whom are black females.

## DIVERSITY .....

The commitment to our disciplined recruitment and selection process is reflected in our employee demographics spanning all levels of the business. As at 30 September 2016, 52% of our total employee complement in South Africa is black, of which more than 60% are black females. Within the South African-based investment team of 62 individuals, 31% are black, of whom 6% are black females.

Black representation at executive committee level is 75% and at board level is 57%.

Our South African employee 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	0	2	1	6	0	2	0	0	0	0	11
Professionally qualified and experienced specialists and mid-management	7	16	6	58	3	16	8	24	5	0	143
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	2	16	4	11	17	36	5	28	1	0	120
Semi-skilled and discretionary decision-making	0	2	0	0	2	3	0	0	0	0	7
Unskilled and defined decision-making	0	0	0	0	0	0		0	0	0	0
<b>Total permanent</b>	9	37	12	77	22	57	14	52	6	0	286
Temporary employees	0	0	0	0	0	2	0	0	0	0	2
<b>Total South African employees</b>	9	37	12	77	22	59	14	52	6	0	288

*The Employment Equity Act stipulates the inclusion of permanent employees (those individuals on contract for more than three months) and the inclusion of temporary employees (less than three months). Of the 288 total complement, eight are individuals on contract for more than three months and two are temporary employees. Please note that this table reflects South African employees only and does not include Coronation Global Fund Managers (Ireland) Ltd and Coronation International Ltd employees.*

## SOCIAL IMPACT INVESTING

### PREFERENTIAL PROCUREMENT .....

Our holistic approach to preferential procurement affords us the opportunity to meaningfully contribute to the economic growth and empowerment of all South Africans.

Through this programme, we aim to broaden our reach to a growing number of predominantly black-owned and black female-owned supplier businesses, thereby encouraging the formation of new enterprises and the creation of much-needed employment opportunities.

The strict implementation of our procurement policy guides the continual increase in the procurement of services from B-BBEE-accredited suppliers. It also requires that we identify potential future B-BBEE-accredited suppliers.

Through our supplier oversight programme, regular due diligences are conducted to confirm existing and prospective supplier credentials. Where necessary, we exert our influence over those suppliers where transformation progress is in conflict with our procurement policy or the objectives upon which we have agreed with suppliers. We remain committed to awarding a greater proportion of spend to empowered suppliers over time.

### ENTERPRISE DEVELOPMENT .....

As an asset management company, we are responsible for the procurement of stockbroking services on behalf of our many clients. Those stockbroking houses that comprise our list of preferred suppliers are required to 'qualify' on a number of criteria and, over the years, the allocation to black stockbrokers has increased consistently.

In 2006, we identified the opportunity to introduce a groundbreaking and ambitious approach to transform the South African stockbroking industry. As a custodian of a significant portion of the South African savings pool, we used our 'purchasing power' to launch the Coronation Business Support Programme – a sustainable and effective intervention to grow niche black stockbrokers that, since inception, has allocated more than R200 million to its participants.

Our starting point was to conduct an exhaustive process of tenders and due diligence to handpick a small number of niche black stockbrokers to participate in our programme. This was a vital step in our approach as our aim was to provide not only upfront financial allocations, but also measurable support and assistance in the development of long-term sustainable businesses.

From the outset, we committed a minimum of 10% of our South African equity annual brokerage to successful participants. This we committed up front for a period of three to five years, enabling the participants to hire staff, develop resources and plan for the longer term. The participants also benefited from our operational and strategic management support and guidance in managing and growing strong and sustainable enterprises. This vital component of the programme has, over the past 10 years (a period of significant change in the stockbroking industry), proven invaluable. Were it not for the insights and hands-on support of Coronation management and employees, many of these companies would not be in existence today.

The transformation enabled by the programme has been both material and meaningful, with some businesses having evolved into sustainable stockbroking houses with value-added offerings to the investment community as a whole. The growth in earnings and employee numbers can be measured in the success of the various bespoke training and development programmes, as well as in the enhanced service offerings to their clients. Additionally, this enormously successful initiative has inspired the launch of a broader industry programme with the aim of further transforming and strengthening the black stockbroking community. In collaboration with the Association for Savings and Investment South Africa (ASISA), six leading industry participants (sponsors), of which we are one, launched this new and exciting programme on 1 August 2016.

Over the years, our role in shaping the asset management industry has been marked by a number of significant milestones: in 1996, we partnered in the launch of the first Namibian-controlled asset manager to form Namibia Asset Management; in 1999, we established and funded African Harvest Asset Management (subsequently bought out by Cadiz Asset Management), and launched Kagiso Asset Management, a joint venture with Kagiso Trust Investments in 2001.

## INDEPENDENT FINANCIAL ADVISER (IFA) DEVELOPMENT PROGRAMME .....

We are a sponsor and funder of ASISA's IFA Development Programme, launched in late 2015. The aim of this programme is to provide business development support to black IFAs by equipping them with practical practice management skills and knowledge.

The programme also includes an IFA internship for talented black individuals to gain theoretical knowledge and practical work experience at one of the country's top IFA practices.

## SA SME FUND .....

In response to the president's call for corporate South Africa to assist in finding workable solutions to the country's problems of high unemployment and low growth, the SA SME Fund was launched in October 2016. The fund is the collective response of the CEO Initiative, in which we participate.

Through a process of extensive consultation, entrepreneurship and small and medium enterprises (SMEs) were identified as pivotal areas in which the private sector could play the most meaningful role. SMEs experience high failure rates primarily as a result of mismanagement and lack of support in the developmental stage. The role of the SA SME Fund is to address the funding gap in the early stages, provide much-needed mentorship, and equip entrepreneurs with the necessary tools for managing working capital.

To date, the fund has an initial commitment of R1.5 billion, with the aim of growing contributions that will be matched by the public sector over time. Coronation made a commitment of R10 million to the fund in the past financial year.

The first tranche of funding is set to be deployed in the first quarter of 2017.

## 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 employees 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 spend totalled R19.8 million for the 2016 financial year (2015: R19.7 million), including R5.9 million (2015: R7.2 million) which was targeted for consumer financial education.

In line with our philosophy of investing for the long term, our commitment to social interventions is no less than three years. All partner programmes report on the progress of clearly articulated objectives and desired outcomes biannually.

### UNLOCKING POTENTIAL

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

The improvement 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

Alarming statistics contained in *Binding Constraints in Education*, research conducted by the Department of Economics at Stellenbosch University in May 2016, tell a very disturbing story, revealing the very real need for intervention at foundation phase.

- 58% of South African children do not learn to read with understanding in any language by the end of grade 4.
- In the Western Cape, 11% of foundation-phase learners are illiterate and 27% cannot read with understanding.
- Only 36% of South African educators have the desirable subject knowledge.

The Coronation Reading Adventure Rooms programme, launched six years ago in 2010, has the primary objective of addressing the very real issue of English literacy (English is the dominant language of instruction in South Africa). The programme was established in the Cape Town area, with a key focus on grade 1 learners at indigent primary schools. It addresses both learners and educators, and is run in collaboration with Living Through Learning.

The programme's comprehensive literacy curriculum supplements and integrates with the National Department of Basic Education's Curriculum Assessment Policy Statements. Educators are provided with specialised training sessions and monthly educator forums to



enhance teaching ability. In addition, mentorship and motivation are offered by on-site facilitators and all the necessary resources, such as educator manuals and stationery, games and workbooks for learners, are provided.

To build a new and inspirational frame of reference for learners, the programme takes place in a preselected classroom within partner schools. Each room is transformed with mural landscapes to create a fun and adventure-themed learning environment that facilitates active, compounded learning.

Over the past financial year, an additional four schools adopted the programme, bringing the total number of participating schools to 22. This created a direct benefit to 77 educators (2015: 60) and in excess of 3 100 learners (2015: 2 500) which, over its six-year history, amounts to indirect beneficiaries of more than 220 educators and 9 240 learners. The programme has resulted in an impressive 70% average literacy pass rate at participating schools.

#### COUNTING WITH CORONATION

Mathematics is an essential communication tool in the 21st century. For South Africa to grow as a country, it is vital that we seek to equip our children with the skills necessary to face the challenges of the future.

Counting with Coronation is a progressive strategy in direct response to the need for change and growth in mathematics education for young children. The programme, which launched in July 2012 and runs in collaboration with the Western Cape Primary Science Programme Trust, comprises intensive foundation-phase mathematics training for teachers, training and classroom support. Teachers armed with the appropriate skills can impart sound foundational and fundamental mathematics knowledge, concepts and skills, while also making the subject fun for young learners and encouraging them take it to senior level.

The programme provides mentorship, classroom coaching and resources to 15 primary schools situated in the most impoverished communities. The current beneficiaries of Counting with Coronation include 218 foundation-phase teachers and more than 8 300 learners.

#### 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's public higher education system produces just less than 16 000 of the estimated 25 000 teachers required per year. While attracting students to study education, there are two primary obstacles in completion to graduation: a high dropout rate, and length of study beyond the prescribed course duration of four years.

The LEAP Science and Maths Schools' Future Leaders Programme is a teacher development model that addresses the severe shortage of qualified teachers in the country. The programme was launched in 2007 and includes practical classroom training, dedicated mentoring and specialised tuition for students studying a Bachelor of Education through Unisa. Currently, a total of 47 students are enrolled in the programme, of whom 15 are fully integrated into the teaching staff.

Since 2015, LEAP has been working with various partners and government to rapidly scale the model to both government and independent schools serving under-resourced communities. By 2020, this newly formed Global Teachers Institute aims to expand the Future Leaders programme to 45 schools, with 400 teachers in training.

## GROWING YOUNG TALENT

### CORONATION BURSARY PROGRAMME

Since 1993, almost 100 bright, young, previously disadvantaged students from under-privileged areas all over South Africa have been given the chance to achieve their dream of a better future through the Coronation Bursary Programme.

The programme funds full tertiary bursaries to study at any recognised university within South Africa, awarded on merit and financial need. Over the period of study, students are supported by trained tutors and matched with a Coronation mentor to assist with integration into university life. Furthermore, all students have the opportunity to gain practical work experience through vacation work, primarily at our Cape Town head office.

Candidates also have the opportunity to be financed by the Coronation Employee Bursary Fund, which was created in 2007 through voluntary donations made by Coronation employees. In this instance, funding has typically been allocated to bursars of the Coronation Bursary Programme who have expressed a desire to complete a postgraduate degree or master's programme.

In acknowledgement of the vital role played by education in releasing individuals from a life of poverty, we extended our reach to include high school students in 2012. Since then, we have provided 62 scholarships to previously disadvantaged students through our involvement with the South African Innovative Learning Intervention.

### CORONATION FOUNDATION TRUST

The Foundation was established in 2009 with the aim of providing financial support to a number of worthwhile charitable initiatives. While still in the endowment building phase, the Foundation has already provided full tertiary education bursaries via Tertiary School in Business Administration (TSiBA) to a number of young South Africans.

## BUILDING SUSTAINABLE COMMUNITIES

By equipping people with the skills and knowledge to build a sustainable and dignified future, significant strides can be made 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 is aligned with the United Nations' Sustainable Development Goals, as well as the South African National Development Plan of addressing food security, inequality, poverty and environmental sustainability. It trains small-scale emerging farmers across South Africa in the areas of agribusiness planning, business linkages, good governance, financial management, practical and legal aspects of farm operations, and record-keeping, with the aim of commercialising their efforts into a sustainable business. In 2016, 164 farmers received training and 64 were provided mentorship support.

Since inception, a total of 357 agricultural development facilitators have assisted more than 4 899 small-scale black emerging farmers across South Africa. Approximately 87% of the cooperatives, to which the majority of the farmers belong, have secured access to markets and are regularly supplying produce to supermarkets. Average monthly sales range from R780 to as much as R7 750, providing a much-needed supplementary income for many.

Building on the success of the programme, we launched our youth-focused Coronation School Gardens Programme in 2010. This particular programme teaches learners about the environment through the transfer of basic agricultural knowledge, including the importance of recycling. Critical to its success has been the inclusion of educators and caretakers who provide a much-needed support role to learners in maintaining their garden ventures. Over the past six years, the gardens have become a source of vegetable supply for school nutrition programmes and, in some instances, feeding schemes. For 2016, we are pleased to report that 423 learners, 12 educators and 17 caretakers across the country were involved in the programme, bringing the cumulative total since roll-out to 391 schools, 6 482 learners, 101 educators and 51 school caretakers.

#### CONSUMER FINANCIAL EDUCATION

Consumer financial education, as defined by the Organisation for Economic Cooperation and Development and as adopted by National Treasury, is the process of transferring knowledge and skills to consumers, future consumers and potential consumers for individual wellbeing and the public good. The intended outcome of the process is the development of a consumer's knowledge and understanding of the financial sector and its products and services. Consumer education will include programmes that are aimed at empowering consumers with knowledge to enable them to make more informed decisions about their finances and lifestyles.

Coronation is proactively involved in promoting and raising levels of financial literacy and savings in South Africa through a number of interventions. In 2016, we continued to support the following ASISA Foundation consumer financial education programmes:

**Retirement Fund Trustee Education:** 29 workshops covering investment fundamentals, active ownership, retirement fund governance, conflicts of interest and the responsibilities of trustees were developed and presented nationally by ASISA. The workshops were independently monitored and evaluated, and attended by more than 350 trustees of the country's retirement funds. The results of the programme showed a marked increase in the participants' confidence levels in respect of all learning outcomes.

**Project Qaphela:** A financial literacy programme targeted at workers in mining, construction and energy sectors. Over the year, the programme reached approximately 1 500 mineworkers in the northern provinces. Monitoring and evaluation reports confirmed that participants increased their financial literacy knowledge and sought action to improve their financial wellbeing, such as payslip and benefit statement discussions with their HR managers and engaging with financial planners or debt counsellors.

**Saver Waya-Waya:** This financial literacy programme, targeted at young adults, was presented on four technical and vocational education and training college campuses between January and June 2016. More than 1 200 students were exposed to this interactive programme, which incorporated five consecutive workshops with the same student groups, the use of edutainment, as well as social media.

# FINANCIAL PERFORMANCE

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The condensed consolidated financial information has been extracted from the audited financial statements. The audited financial statements are available at [www.coronation.com](http://www.coronation.com).

	30 Sept 2016 R million	30 Sept 2015 R million	% Change
<b>Fund management activities</b>			
<b>Revenue</b>	4 046	4 442	(9)
Other income	20	28	
<b>Operating expenses</b>	(2 019)	(2 090)	(3)
Share-based payment expense	(7)	(11)	
Other expenses	(2 012)	(2 079)	
<b>Results from operating activities</b>	2 047	2 380	(14)
Finance and dividend income	35	32	
Finance expense	(22)	(15)	
Share of profit of equity-accounted investee	9	8	
<b>Profit from fund management</b>	2 069	2 405	(14)
<b>Income attributable to policyholder linked assets and investment partnerships</b>	20	25	
Net fair value gains on policyholder and investment partnership financial instruments	58	54	
Administration expenses borne by policyholders and investors in investment partnerships	(38)	(29)	
<b>Profit before income tax</b>	2 089	2 430	(14)
<b>Income tax expense</b>	(515)	(620)	
Taxation on shareholder profits	(495)	(595)	
Taxation on policyholder investment contracts	(20)	(25)	
<b>Profit for the year</b>	1 574	1 810	(13)
<b>Other comprehensive income (to be reclassified to profit or loss in future periods)</b>	37	53	
Foreign currency translation differences for foreign operations	(8)	99	
Net change in fair value of available-for-sale financial assets	45	(46)	
<b>Total comprehensive income for the year</b>	1 611	1 863	
<b>Profit attributable to:</b>			
- equity holders of the company	1 574	1 812	(13)
- non-controlling interest	-	(2)	
<b>Profit for the year</b>	1 574	1 810	
<b>Total comprehensive income attributable to:</b>			
- equity holders of the company	1 611	1 865	(14)
- non-controlling interest	-	(2)	
<b>Total comprehensive income for the year</b>	1 611	1 863	
<b>Earnings per share (cents)</b>			
- basic	450.0	517.9	(13)
- diluted	450.0	517.9	(13)
<b>Note to the statement of comprehensive income</b>			
<b>Headline earnings per share (cents)</b>			
- basic	447.6	516.0	(13)
- diluted	447.6	516.0	(13)
<b>Dividend per share (cents)</b>			
- interim	229.0	246.0	(7)
- final	218.0	270.0	(19)



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 Sept 2016 R million	30 Sept 2015 R million
<b>Assets</b>		
Intangible assets	1 088	1 088
Equipment	31	37
Investment in equity-accounted investees	37	41
Deferred tax asset	162	145
Investments backing policyholder funds and investments held through investment partnerships	64 007	66 256
Investment securities	1 097	751
Taxation receivable	-	2
Trade and other receivables	498	509
Cash and cash equivalents	538	728
<b>Total assets</b>	<b>67 458</b>	<b>69 557</b>
<b>Liabilities</b>		
Long-term borrowings (note 3)	150	300
Deferred tax liabilities	25	78
Policyholder investment contract liabilities and liabilities to holders of interests in investment partnerships	63 988	66 181
Short-term portion of long-term borrowings (note 3)	150	-
External investors in consolidated funds	269	124
Taxation payable	4	-
Trade and other payables	694	705
<b>Total liabilities</b>	<b>65 280</b>	<b>67 388</b>
<b>Net assets</b>	<b>2 178</b>	<b>2 169</b>
<b>Equity</b>		
Share capital and premium	256	256
Retained earnings	1 586	1 757
Reserves	200	156
Total equity attributable to equity holders of the company	2 042	2 169
Non-controlling interest in consolidated funds (note 5)	136	-
<b>Total equity</b>	<b>2 178</b>	<b>2 169</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R million	Share capital and premium	Foreign currency translation reserve
<b>Balance at 30 September 2014</b>	256	64
<b>Total comprehensive income for the year</b>		
Profit for the year		
<b>Other comprehensive income (available to be recycled to profit and loss in future periods)</b>		
Currency translation differences		99
Revaluation of available-for-sale financial assets		
– net change in fair value		
– reclassified to profit or loss on disposal		
Total other comprehensive income	-	99
<b>Total comprehensive income for the year</b>	-	99
<b>Transactions with owners recorded directly to equity</b>		
Share-based payments		
Dividends paid		
Closure of subsidiary		
Total transactions with owners	-	-
<b>Balance at 30 September 2015</b>	256	163
<b>Total comprehensive income for the year</b>		
Profit for the year		
<b>Other comprehensive income (available to be recycled to profit and loss in future periods)</b>		
Currency translation differences		(8)
Revaluation of available-for-sale financial assets		
– net change in fair value		
– reclassified to profit or loss on disposal		
Total other comprehensive income	-	(8)
<b>Total comprehensive income for the year</b>	-	(8)
<b>Transactions with owners recorded directly to equity</b>		
Share-based payments		
Dividends paid		
Non-controlling interest in consolidated funds (note 5)		
Total transactions with owners	-	-
<b>Balance at 30 September 2016</b>	256	155



Retained earnings	Share-based payment reserve	Revaluation reserve	Issued capital and reserves attributable to equity holders of the company	Non-controlling interest	Total equity
1 841	11	17	2 189	7	2 196
1 812			1 812	(2)	1 810
			99		99
		(46)	(46)		(46)
		(40)	(40)		(40)
		(6)	(6)		(6)
-	-	(46)	53	-	53
1 812	-	(46)	1 865	(2)	1 863
	11		11		11
(1 896)			(1 896)		(1 896)
				(5)	(5)
(1 896)	11	-	(1 885)	(5)	(1 890)
1 757	22	(29)	2 169	-	2 169
1 574			1 574		1 574
			(8)		(8)
		45	45		45
		52	52		52
		(7)	(7)		(7)
-	-	45	37	-	37
1 574	-	45	1 611	-	1 611
	7		7		7
(1 745)			(1 745)		(1 745)
				136	136
(1 745)	7	-	(1 738)	136	(1 602)
1 586	29	16	2 042	136	2 178

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	30 Sept 2016 R million	30 Sept 2015 R million
<b>Cash flows from operating activities</b>		
Profit from fund management	2 069	2 405
Non-cash and other adjustments	27	(21)
<b>Operating cash flows before changes in working capital</b>	2 096	2 384
Working capital changes	(18)	238
Cash flows from policyholder and investment partnership activities	833	(6 171)
<b>Cash generated from/(utilised by) operations</b>	2 911	(3 549)
Interest paid	(22)	(15)
Income taxes paid	(502)	(634)
<b>Net cash from operating activities</b>	2 387	(4 198)
<b>Cash flows from investing activities</b>		
Finance and dividend income	35	32
Acquisition of equipment	(13)	(27)
Net acquisition of investment securities	(13)	(435)
<b>Net cash from investing activities</b>	9	(430)
<b>Cash flows from financing activities</b>		
Issue of preference shares	-	150
Dividends paid	(1 745)	(1 896)
<b>Net cash from financing activities</b>	(1 745)	(1 746)
<b>Increase/(decrease) in cash and cash equivalents</b>	651	(6 374)
Net decrease in cash and cash equivalents – shareholders	(182)	(203)
Net increase/(decrease) in cash and cash equivalents – policyholders and investment partnerships	833	(6 171)
<b>Cash and cash equivalents at beginning of year</b>	8 567	14 842
Cash and cash equivalents at beginning of year – shareholders	728	832
Cash and cash equivalents at beginning of year – policyholders and investment partnerships	7 839	14 010
<b>Effect of exchange rate fluctuations on cash held</b>	(8)	99
<b>Cash and cash equivalents at end of year</b>	9 210	8 567
Cash and cash equivalents at end of year – shareholders	538	728
Cash and cash equivalents at end of year – policyholders and investment partnerships	8 672	7 839

The above cash flows include the policyholder and investment partnership activities. These cash flows represent net contributions and withdrawals by policyholders and investment partnerships and the related investing activities. Cash and cash equivalents of policyholders and investment partnerships are not available for use by the shareholders of the group.





## RECONCILIATION OF HEADLINE EARNINGS

	30 Sept 2016 R million	30 Sept 2015 R million
Earnings attributable to shareholders	1 574	1 810
Non-controlling interest	-	2
<b>Earnings attributable to ordinary shareholders</b>	<b>1 574</b>	<b>1 812</b>
Profit on disposal of financial assets available for sale	(7)	(6)
Profit on disposal of group operations	(2)	(1)
<b>Headline earnings attributable to ordinary shareholders</b>	<b>1 565</b>	<b>1 805</b>

## DILUTED NUMBER OF SHARES

	30 Sept 2016 '000	30 Sept 2015 '000
<b>Weighted average number of shares in issue during the year</b>	<b>349 799</b>	<b>349 799</b>
Weighted average number of shares potentially in issue	349 799	349 799
<b>Actual number of shares in issue at the end of the year</b>	<b>349 799</b>	<b>349 799</b>

## CONDENSED CONSOLIDATED SEGMENT REPORT

R million	Africa		International		Group	
	30 Sept 2016	30 Sept 2015	30 Sept 2016	30 Sept 2015	30 Sept 2016	30 Sept 2015
<b>Segment external revenue</b>	2 690	3 008	1 356	1 434	4 046	4 442
<b>Segment operating expenses</b>	(1 501)	(1 356)	(518)	(734)	(2 019)	(2 090)
<b>Segment profit</b>	1 189	1 652	838	700	2 027	2 352
Share of income of equity-accounted investee	9	8	-	-	9	8
Net finance and other income/(expense)	36	27	(3)	18	33	45
<b>Profit from fund management</b>	1 234	1 687	835	718	2 069	2 405
Income*					20	25
<b>Profit before income tax</b>					2 089	2 430
Segment assets	1 286	1 373	878	652	2 164	2 025
Investments*					65 294	67 532
<b>Total assets</b>					67 458	69 557

\* Income and investments are attributable to and backing policyholder funds and investments held through investment partnerships and other assets.

## 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 Ltd; 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 a complete set of IFRS 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 accounting policies applied in the presentation of the condensed financial statements are in terms of IFRS and are consistent with those presented in the previous annual financial statements.

These results have been prepared under the supervision of H Rawoot CA(SA).

## 2. Related party transactions

Related party transactions for the current year are similar to those disclosed in the group's annual financial statements for the year ended 30 September 2015. No new significant related party transactions arose during the current year.



### 3. Long-term and short-term borrowings

Cumulative redeemable preference shares with dividends linked to prime are payable on a quarterly basis, with R150m capital repayments due on 31 March 2017 and 31 March 2018.

### 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. Cash and cash equivalent balances along with their related liabilities of R2 170 million (2015: R3 272 million) have been excluded from the below table in current and prior years respectively.
- Level 3: Inputs for the asset or liability that are not based on observable market data (significant unobservable inputs).

<b>Fair value disclosure</b> <b>R million</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>September 2016</b>				
Investments backing policyholder funds and investments held through investment partnerships	54 520	7 317	-	61 837
Investment securities	1 060	-	37	1 097
	<b>55 580</b>	<b>7 317</b>	<b>37</b>	<b>62 934</b>
Policyholder, external investor and investment partnership liabilities	54 789	7 298	-	62 087
<b>September 2015</b>				
Investments backing policyholder funds and investments held through investment partnerships	56 909	6 075	-	62 984
Investment securities	717	-	34	751
	<b>57 626</b>	<b>6 075</b>	<b>34</b>	<b>63 735</b>
Policyholder, external investor and investment partnership liabilities	56 909	6 003	-	62 912

During the current year, a net amount of R381 million in debentures were transferred from Level 2 to Level 1 as these are now considered to be held in an active market.

The carrying amount of all other financial assets and liabilities approximate fair value.

### 5. Non-controlling interest in consolidated funds

The non-controlling interest in consolidated funds arises as a result of the continued consolidation of the Coronation Global Frontiers Fund.

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## 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

ASISA	Association for Savings and Investment South Africa
AUM	Assets Under Management
B-BBEE	Broad-Based Black Economic Empowerment
CFA	Chartered Financial Analyst
CRISA	Code for Responsible Investing in South Africa
CSDP	Central Securities Depository Participant
CSI	Corporate Social Investment
EAC	Effective Annual Costs
ESG	Environmental, Social and Governance
FRC	Financial Reporting Council
FSB	Financial Services Board
FSC	Financial Sector Charter/Financial Sector Code
GAI	Governance Assessment Instrument
GEM	Global Emerging Markets
GIPS	Global Investment Performance Standards
GRI	Global Reporting Initiative
ICI	Investment Company Institute
IDASA	The Institute for Democracy in South Africa
IDC	Industrial Development Corporation
IMC	Investment Management Charge
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
IIRF	International Integrated Reporting Framework
IRCSA	Integrated Reporting Council of South Africa
ISAE	International Standard on Assurance Engagements
IT	Information Technology
King III	King Code of Governance for South Africa 2009
MOI	Memorandum of Incorporation
RDR	Retail Distribution Review
SAICA	South African Institute of Chartered Accountants
SARB	South African Reserve Bank
SENS	Stock Exchange News Service
TCF	Treating Customers Fairly
UN PRI	United Nations' Principles for Responsible Investment
USD	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 43rd 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 Tuesday, 14 February 2017, at 11:30.

The record date to receive 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 Thursday, 15 December 2016, being the date on which a person must be registered as a shareholder of the Company for purposes of being entitled to receive notice of the Meeting. The record date to participate in and vote at the Meeting, determined in accordance with section 59(1)(b) of the Act, is Friday, 3 February 2017, 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 Tuesday, 31 January 2017.

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 vote in his or her stead. The proxy so appointed need not be a shareholder of the Company. A form of proxy is attached to this notice.

Kindly note that, in accordance with section 63(1) of the Act, participants (including proxies) are required to provide 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.

The purpose of the Meeting is to transact the business set out below.

## 1. PRESENTATION OF THE AUDITED ANNUAL FINANCIAL STATEMENTS

The audited Annual Financial Statements of the Company for the year ended 30 September 2016, together with the reports by the directors, the external auditor and the audit and risk committee have been approved by the board of directors of the Company (the Board) on 23 November 2016, and is available on the Company's website [www.coronation.com](http://www.coronation.com) and a summarised version thereof is also reflected on pages 80 to 88 of the Integrated Annual Report of which this notice forms part.

## 2. PRESENTATION OF SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE REPORT

In accordance with Regulation 43(5)(c) of the Companies Regulations, 2011, the social, ethics and transformation committee will report, through one of its members, to the shareholders at the Meeting on the matters within its mandate.

3. To consider and, if deemed fit, approve, with or without modification, the following ordinary and special resolutions:



## ORDINARY RESOLUTIONS .....

### 3.1 RETIREMENT, RE-ELECTION AND CONFIRMATION OF APPOINTMENT OF DIRECTORS

#### ORDINARY RESOLUTION NUMBER 1

- a) To re-elect, by way of a separate vote, Ms Lulama Boyce, 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, Mr John David (Jock) McKenzie who retires by rotation in accordance with the provisions of the Company's MOI, but is eligible and available for re-election.
- c) To re-elect, by way of a separate vote, Prof Alexandra Watson who retires by rotation in accordance with the provisions of the Company's MOI, but is eligible and available for re-election.
- d) To confirm and approve, by way of a separate vote, the appointment of Dr Hugo Anton Nelson, who was appointed to the Board to fill a vacancy in the period since the last annual general meeting of the Company.

A profile in respect of each candidate is set out on pages 40 and 41 of the Integrated Annual Report. The re-election and the appointment, as the case may be, of the candidates as set out in ordinary resolution number 1 will be conducted by way of a separate vote in respect of each individual, who shall be re-elected/appointed if the majority of the voting rights exercised support the candidate.

#### **Explanatory note**

To re-elect the non-executive directors who retire by rotation and to confirm and approve the appointment of a non-executive director in terms of the MOI of the Company read with the Listings Requirements of the JSE Ltd ('Listings Requirements').

### 3.2 RE-APPOINTMENT OF AUDITOR

#### ORDINARY RESOLUTION NUMBER 2

To re-appoint, as recommended by the audit and risk committee, Ernst & Young Inc. as the Company's registered auditor and to note Mr MP Rapson as the designated audit partner.

#### **Explanatory note**

The Company, being a public company listed on the Johannesburg Stock Exchange ('JSE'), must have its annual financial statements audited and such auditor must be appointed or re-appointed each year at the annual general meeting of the Company as required by the Act.

### 3.3 RE-APPOINTMENT AND ELECTION OF THE MEMBERS OF THE AUDIT AND RISK COMMITTEE

#### ORDINARY RESOLUTION NUMBER 3

To re-elect and/or appoint the audit and risk committee members, by way of a separate vote, as required in terms of the Act. The following individuals are recommended for re-election and/or appointment to the audit and risk committee:

- a) Prof Alexandra Watson for re-election
- b) Mr Saamsodein (Shams) Pather for re-election
- c) Mr John David (Jock) McKenzie for re-election
- d) Dr Hugo Anton Nelson for appointment

A profile in respect of each candidate recommended for re-election and/or appointment to the audit and risk committee is contained on pages 40 and 41 of the Integrated Annual Report. The re-election and/or appointment of the candidates of the audit and risk committee will be conducted by way of a separate vote in respect of each individual.

#### **Explanatory note**

The reason for ordinary resolution number 3 is that the Company, being a public company listed on the JSE must appoint an audit committee. The members of the audit committee are required to be appointed or re-appointed at the AGM of the Company in terms of the Act.

### 3.4 NON-BINDING ADVISORY VOTE

#### ORDINARY RESOLUTION NUMBER 4

To consider and endorse, by way of a non-binding advisory vote the Company's remuneration policy as set out in the remuneration report on pages 59 to 69 of the Company's Integrated Annual Report for the year ended 30 September 2016.

#### **Explanatory note**

The Company's remuneration policy has been tabled for a non-binding advisory vote at the AGM to allow shareholders an opportunity to express their views on the remuneration policy adopted by the Company. The vote is of an advisory nature only and will not be binding.





## SPECIAL RESOLUTIONS .....

### 3.5 INTER-COMPANY FINANCIAL ASSISTANCE

#### SPECIAL RESOLUTION NUMBER 1

To approve, as a general approval, that the Board may authorise the Company to provide any direct or indirect financial assistance to any company or corporation that is related or inter-related to the Company (with 'related' and 'inter-related' having the meaning ascribed in section 2 of the Act) (as contemplated in and subject to the provisions of section 45 of the Act) as the Board may deem fit.

#### **Explanatory note**

To grant the Board the authority to provide direct or indirect financial assistance to any company or corporation which is related or inter-related to the Company. This means that the Company is authorised to, for example, grant loans to its subsidiaries and to guarantee the debt of subsidiaries. For the avoidance of doubt, this special resolution, if approved, does not authorise the Company to provide financial assistance to any director, prescribed officer or shareholder of the Company.

#### SPECIAL RESOLUTION NUMBER 2

To approve, as a general approval, that the Board may authorise the Company to provide any direct or indirect financial assistance, for the purpose of or in connection with the subscription or purchase of any option, or any shares or other securities in the Company or in a related or inter-related company (with 'related' and 'inter-related' having the meaning ascribed in section 2 of the Act) as contemplated in and subject to the provisions of section 44 of the Act, to any company or corporation that is related or inter-related to the Company and/or to any financier that provides funding by acquiring preference shares or other securities in the Company or in any company or corporation that is related or inter-related to the Company, on the terms and for the amounts that the Board may determine.

#### **Explanatory note**

To grant the directors of the Company the authority to provide direct or indirect financial assistance to any company or corporation which is related or inter-related to the Company and/or to provide security to any financier for the purposes of, or in connection with, the subscription or purchase of options, shares or other securities in the Company or in any related or inter-related company. This means that the Company is, inter alia, authorised to guarantee and furnish other security for the obligations of subsidiaries where the financial assistance is directly or indirectly related to a party acquiring options, shares or other securities in the Company or in a subsidiary. A typical example of where the Company would rely on this authority is where a subsidiary raises funds by issuing preference shares to a bank and the Company is required to issue a guarantee or other security to the financier for the subsidiary's obligations arising from the preference shares.

The Company has no immediate plans to use this authority but is obtaining same in the interests of prudence and good corporate governance should the unforeseen need arise to use the authority. For the avoidance of doubt, this special resolution, if approved, does not authorise the Company to provide financial assistance to any director, prescribed officer or shareholder of the Company for the purpose of, or in connection, with the acquisition of shares in the Company or in any of its subsidiary companies.

In relation to special resolution number 1 and special resolution number 2, the directors of the Company can confirm that financial assistance will only be provided if the Board is satisfied that, immediately after providing the financial assistance, the Company would satisfy the solvency and liquidity test as contemplated in the Act.

### 3.6 REMUNERATION OF NON-EXECUTIVE DIRECTORS

#### SPECIAL RESOLUTION NUMBER 3

To approve the remuneration to be paid by the Company to non-executive directors for their services as directors in respect of the following:

	Year ending 30 September 2017 R'000
<b>Basic fees</b>	
Chairman	96
Non-executive director	96
<b>Attendance fees per meeting</b>	
Board – chairman	80
Board – non-executive director	46
Audit and risk committee – chairman	75
Audit and risk committee – non-executive director	46
Social, ethics and transformation committee – chairman	55
Social, ethics and transformation committee – non-executive director	46
Remuneration and nominations committee – chairman	55
Remuneration and nominations committee – non-executive director	46
Invitee fees for all committees – non-executive director	23

#### Explanatory note

To approve the remuneration to be paid for the year ending 30 September 2017 by the Company to non-executive directors of the Company, as required in terms of section 66(9) of the Act.



### 3.7 SHARE REPURCHASES BY THE COMPANY AND ITS SUBSIDIARIES

#### SPECIAL RESOLUTION NUMBER 4

To approve that the Board 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 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 shall 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 Company's relevant subsidiary and the counterparty from whom the shares are purchased.
- An announcement complying with paragraph 11.27 of the Listings Requirements shall 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 that 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, and 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 authorising the repurchase, and it reasonably appears that the Company will satisfy the solvency and liquidity test immediately after completing the proposed repurchased and that since this test was done there have been no material changes to the financial position of the Company and its subsidiaries (Group).
- The Company and its subsidiaries do not repurchase ordinary shares during a prohibited period (as defined in the Listings Requirements), 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.

**Explanatory note**

To grant the Board the general authority to authorise the Company and/or any of its subsidiaries to acquire shares in the Company, should the Board consider it appropriate in the circumstances.

The effect of special resolution number 4 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, as at the date of this notice, has no definite intention of repurchasing shares. It is, however, proposed that the Board believes it to be in the best interests of the Company that shareholders pass this resolution.

The Board shall not make any payment in whatever form to acquire any shares issued by the Company as contemplated in special resolution number 4 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 International Financial Reporting Standards, 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 4, the requirements of the Listings Requirements and the Act.

In compliance with paragraph 11.26(b) of the Listings Requirements, 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 18 of the Integrated Annual Report).

Share capital (page 38 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 financial period ended 30 September 2016 and the signature date of this notice.

The directors, whose names are set out on pages 40 and 41 of the Integrated Annual Report, collectively and individually accept full responsibility for the accuracy of the information contained in special resolution number 4 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.



### 3.8 ADOPTION OF NEW MEMORANDUM OF INCORPORATION

#### SPECIAL RESOLUTION NUMBER 5

To approve that the existing MOI be replaced in its entirety with the proposed new Memorandum of Incorporation for the Company (New MOI).

The New MOI will be available for inspection at the Company's registered address (7th Floor, MontClare Place, Cnr Campground and Main Roads, Claremont 7708) and will also be available on the Company's website at [www.coronation.com](http://www.coronation.com) from 30 December 2016 up to the date of the annual general meeting.

#### Explanatory note

Given that changes have been made to the Listings Requirements and to relevant legislation since the existing MOI was adopted, the Board decided that it would be appropriate to reconsider the existing MOI in its entirety. The Board has, in the interests of good corporate governance, also used this as an opportunity to ensure that certain provisions are consistent with the standard provisions of the Act and the Listings Requirements and to clarify the intended meaning of certain provisions of the MOI.

The Board is firmly of the view that the replacement of the existing MOI with the New MOI does not materially adversely affect the rights or interests of the holders of any class of shares and therefore would not trigger any appraisal rights for shareholders in terms of section 164 of the Act. Section 164 of the Act provides that to the extent that amendments to a memorandum of incorporation constitute an alteration of the preferences, rights, limitations or other terms of a class of a company's shares in a manner materially adverse to the rights or interests of the holders of that class of shares, shareholders must be informed of their rights under section 164. For ease of reference, section 164 is attached hereto as an extract from the Act. This paragraph and the extract from section 164 are therefore included in this notice in the interests of prudence and for the sake of completeness only.

### 4. OTHER BUSINESS

To transact such other business as may be transacted at an annual general meeting or raised by shareholders with or without advance notice to the Company.

#### 4.1 VOTING AND PROXIES

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.

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 shareholder's 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).

#### 4.2 ELECTRONIC PARTICIPATION

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. Tuesday, 7 February 2017) 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) requests to so participate.

By order of the Board

**Lee-Anne Parenzee**

*Company secretary*

19 December 2016

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



# EXTRACT FROM SECTION 164 OF THE COMPANIES ACT

## 164. DISSENTING SHAREHOLDERS APPRAISAL RIGHTS .....

- (1) This section does not apply in any circumstances relating to a transaction, agreement or offer pursuant to a business rescue plan that was approved by shareholders of a company, in terms of section 152.
- (2) If a company has given notice to shareholders of a meeting to consider adopting a resolution to –
  - (a) amend its Memorandum of Incorporation by altering the preferences, rights, limitations or other terms of any class of its shares in any manner materially adverse to the rights or interests of holders of that class of shares, as contemplated in section 37(8); or
  - (b) enter into a transaction contemplated in section 112, 113, or 114, that notice must include a statement informing shareholders of their rights under this section.
- (3) At any time before a resolution referred to in subsection (2) is to be voted on, a dissenting shareholder may give the company a written notice objecting to the resolution.
- (4) Within 10 business days after a company has adopted a resolution contemplated in this section, the company must send a notice that the resolution has been adopted to each shareholder who –
  - (a) gave the company a written notice of objection in terms of subsection (3); and
  - (b) has neither –
    - (i) withdrawn that notice; or
    - (ii) voted in support of the resolution.
- (5) A shareholder may demand that the company pay the shareholder the fair value for all of the shares of the company held by that person if-
  - (a) the shareholder –
    - (i) sent the company a notice of objection, subject to subsection (6); and
    - (ii) in the case of an amendment to the company's Memorandum of Incorporation, holds shares of a class that is materially and adversely affected by the amendment;
  - (b) the company has adopted the resolution contemplated in subsection (2); and
  - (c) the shareholder –
    - (i) voted against that resolution; and
    - (ii) has complied with all of the procedural requirements of this section.
- (6) The requirement of subsection (5)(a)(i) does not apply if the company failed to give notice of the meeting, or failed to include in that notice a statement of the shareholders rights under this section.
- (7) A shareholder who satisfies the requirements of subsection (5) may make a demand contemplated in that subsection by delivering a written notice to the company within –
  - (a) 20 business days after receiving a notice under subsection (4); or
  - (b) if the shareholder does not receive a notice under subsection (4), within 20 business days after learning that the resolution has been adopted.

- (8) A demand delivered in terms of subsections (5) to (7) must also be delivered to the Panel, and must state –  
 [Words preceding para. (a) substituted by s. 103 of Act 3/2011]  
 (a) the shareholder's name and address;  
 (b) the number and class of shares in respect of which the shareholder seeks payment; and  
 (c) a demand for payment of the fair value of those shares.
- (9) A shareholder who has sent a demand in terms of subsections (5) to (8) has no further rights in respect of those shares, other than to be paid their fair value, unless –  
 (a) the shareholder withdraws that demand before the company makes an offer under subsection (11), or allows an offer made by the company to lapse, as contemplated in subsection (12)(b);  
 (b) the company fails to make an offer in accordance with subsection (11) and the shareholder withdraws the demand; or  
 (c) the company, by a subsequent special resolution, revokes the adopted resolution that gave rise to the shareholder's rights under this section.  
 [Para. (c) substituted by s. 103 of Act 3/2011]
- (10) If any of the events contemplated in subsection (9) occur, all of the shareholder's rights in respect of the shares are reinstated without interruption.
- (11) Within five business days after the later of –  
 (a) the day on which the action approved by the resolution is effective;  
 (b) the last day for the receipt of demands in terms of subsection (7)(a); or  
 (c) the day the company received a demand as contemplated in subsection (7)(b), if applicable, the company must send to each shareholder who has sent such a demand a written offer to pay an amount considered by the company's directors to be the fair value of the relevant shares, subject to subsection (16), accompanied by a statement showing how that value was determined.
- (12) Every offer made under subsection (11) –  
 (a) in respect of shares of the same class or series must be on the same terms; and  
 (b) lapses if it has not been accepted within 30 business days after it was made.
- (13) If a shareholder accepts an offer made under subsection (12) –  
 (a) the shareholder must either in the case of –  
 (i) shares evidenced by certificates, tender the relevant share certificates to the company or the company's transfer agent; or  
 (ii) uncertificated shares, take the steps required in terms of section 53 to direct the transfer of those shares to the company or the company's transfer agent; and  
 (b) the company must pay that shareholder the agreed amount within 10 business days after the shareholder accepted the offer and –  
 (i) tendered the share certificates; or  
 (ii) directed the transfer to the company of uncertificated shares.
- (14) A shareholder who has made a demand in terms of subsections (5) to (8) may apply to a court to determine a fair value in respect of the shares that were the subject of that demand, and an order requiring the company to pay the shareholder the fair value so determined, if the company has –  
 (a) failed to make an offer under subsection (11); or  
 (b) made an offer that the shareholder considers to be inadequate, and that offer has not lapsed.





- (15) On an application to the court under subsection (14) –
- (a) all dissenting shareholders who have not accepted an offer from the company as at the date of the application must be joined as parties and are bound by the decision of the court;
  - (b) the company must notify each affected dissenting shareholder of the date, place and consequences of the application and of their right to participate in the court proceedings; and
  - (c) the court –
    - (i) may determine whether any other person is a dissenting shareholder who should be joined as a party;
    - (ii) must determine a fair value in respect of the shares of all dissenting shareholders, subject to subsection (16);
    - (iii) in its discretion may –
      - (aa) appoint one or more appraisers to assist it in determining the fair value in respect of the shares; or
      - (bb) allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective, until the date of payment;
    - (iv) may make an appropriate order of costs, having regard to any offer made by the company, and the final determination of the fair value by the court; and
    - (v) must make an order requiring –
      - (aa) the dissenting shareholders to either withdraw their respective demands or to comply with subsection (13)(a); and
      - [Item (aa) substituted by s. 103 of Act 3/2011]
      - (bb) the company to pay the fair value in respect of their shares to each dissenting shareholder who complies with subsection (13)(a), subject to any conditions the court considers necessary to ensure that the company fulfils its obligations under this section.
- (15A) At any time before the court has made an order contemplated in subsection (15)(c)(v), a dissenting shareholder may accept the offer made by the company in terms of subsection (11), in which case –
- (a) that shareholder must comply with the requirements of subsection 13(a); and
  - (b) the company must comply with the requirements of subsection 13(b).
- [Subs. (15A) inserted by s. 103 of Act 3/2011]
- (16) The fair value in respect of any shares must be determined as at the date on which, and time immediately before, the company adopted the resolution that gave rise to a shareholder's rights under this section.
- (17) If there are reasonable grounds to believe that compliance by a company with subsection (13)(b), or with a court order in terms of subsection (15)(c)(v)(bb), would result in the company being unable to pay its debts as they fall due and payable for the ensuing 12 months –
- (a) the company may apply to a court for an order varying the company's obligations in terms of the relevant subsection; and
  - (b) the court may make an order that –
    - (i) is just and equitable, having regard to the financial circumstances of the company; and
    - (ii) ensures that the person to whom the company owes money in terms of this section is paid at the earliest possible date compatible with the company satisfying its other financial obligations as they fall due and payable.

- (18) If the resolution that gave rise to a shareholder's rights under this section authorised the company to amalgamate or merge with one or more other companies, such that the company whose shares are the subject of a demand in terms of this section has ceased to exist, the obligations of that company under this section are obligations of the successor to that company resulting from the amalgamation or merger.
- (19) For greater certainty, the making of a demand, tendering of shares and payment by a company to a shareholder in terms of this section do not constitute a distribution by the company, or an acquisition of its shares by the company within the meaning of section 48, and therefore are not subject to -
- (a) the provisions of that section; or
  - (b) the application by the company of the solvency and liquidity test set out in section 4.
- (20) Except to the extent -
- (a) expressly provided in this section; or
  - (b) that the Panel rules otherwise in a particular case, a payment by a company to a shareholder in terms of this section does not obligate any person to make a comparable offer under section 125 to any other person.



# 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’)

For use at the 43rd annual general meeting of shareholders 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 Tuesday, 14 February 2017, at 11:30 and any cancellation, postponement and adjournment thereof.

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

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

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

Telephone number: \_\_\_\_\_ Cellphone number: \_\_\_\_\_

Email address: \_\_\_\_\_

being a shareholder of the abovementioned company

and holding \_\_\_\_\_ (number of shares)

hereby appoint (1) \_\_\_\_\_ or failing him/her,

(2) \_\_\_\_\_ 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 for purpose of considering and, if deemed fit, passing, with or without modification, the ordinary resolutions and special resolutions proposed thereat and at each adjournment thereof and to vote for and/or against the resolutions and/or abstain from voting in respect of the shares registered in my/our name(s).

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

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

[Assisted by me (where applicable)]

		Mark with an X whichever is applicable		
I/We desire to vote and/or abstain from voting as follows:		Vote for	Vote against	Abstain
<b>Ordinary resolutions</b>				
1.	a) To re-elect, by way of a separate vote, retiring director Ms Lulama Boyce who is eligible and available for re-election.			
	b) To re-elect, by way of a separate vote, retiring director Mr John David (Jock) McKenzie who is eligible and available for re-election.			
	c) To re-elect, by way of a separate vote, retiring director Prof Alexandra Watson who is eligible and available for re-election.			
	d) To confirm and approve, by way of a separate vote, the appointment of Dr Hugo Anton Nelson as a director.			
2.	To re-appoint Ernst & Young Inc. as the Company’s registered auditor and to note Mr MP Rapson as the designated audit partner.			
3.	To re-elect and/or appoint audit and risk committee members each by way of a separate vote:			
	a) To re-elect Prof Alexandra Watson			
	b) To re-elect Mr Saamsodein (Shams) Pather			
	c) To re-elect Mr John David (Jock) McKenzie			
	d) To appoint Dr Hugo Anton Nelson			
4.	Non-binding advisory vote to endorse the Company’s remuneration policy.			
<b>Special resolutions</b>				
1.	To approve and grant the directors of the Company the authority to provide direct or indirect financial assistance to any company or corporation which is related or inter-related to the Company.			
2.	To approve and grant the directors of the Company the authority to provide direct or indirect financial assistance to any company or corporation which is related or inter-related to the Company and/or any financier for the purposes of, or in connection with, the subscription or purchase of options, shares or other securities in the Company or in any related or inter-related company.			
3.	To approve the Company’s remuneration to non-executive directors in respect of the financial year ending 30 September 2017, as set out in the notice of annual general meeting.			
4.	To grant the Board a general authority to repurchase up to 20% of the Company’s issued shares.			
5.	To adopt a New MOI for the Company in replacement of the current MOI.			

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.

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

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 annual general 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 or by marking an "X" in the appropriate box(es). Failure to comply with the above will be deemed to authorise the 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 or 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 Rosebank Towers, 15 Bierman Avenue, Rosebank 2196 (PO Box 61051, Marshalltown 2107), to be received by the transfer secretaries by not later than 10:00 on Friday, 10 February 2017.
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 is 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 .....

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.

## ☐ SUMMARY OF THE RIGHTS OF A SHAREHOLDER TO BE REPRESENTED BY PROXY .....

Shareholders' rights regarding proxies in terms of section 58 of the Act are as follows:

- At any time, a shareholder of a company may appoint any individual, including an individual who is not a shareholder of that company, as a proxy to: (i) participate in, and speak and vote at, a shareholders' meeting on behalf of the shareholder; or (ii) give or withhold written consent on behalf of the shareholder to a decision contemplated in section 60 of the Act.

A proxy appointment:

- must be in writing, dated and signed by the shareholder; and
- remains valid for:
  - one year after the date on which it was signed; or
  - any longer or shorter period expressly set out in the appointment unless it is revoked in a manner contemplated in subsection 58(4)(c); or expires earlier as contemplated in subsection 58(8)(d) of the Act.

Except to the extent that the MOI of a company provides otherwise:

- a shareholder of that company may appoint two or more persons concurrent as proxies, and may appoint more than one proxy to exercise voting rights attached to the different securities held by the shareholder;
- a proxy may delegate the proxy's authority to act on behalf of the shareholder to another person, subject to any restriction set out in the instrument appointing the proxy; and
- a copy of the instrument appointing a proxy must be delivered to the company, or to any other person on behalf of the company, before the proxy exercises any rights of the shareholder at a shareholders' meeting.

Irrespective of the form of instrument used to appoint a proxy:

- the appointment is suspended at any time and to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder;
- the appointment is revocable unless the proxy appointment expressly states otherwise; and
- if the appointment is revocable, a shareholder may revoke the proxy appointment by:
  - cancelling it in writing, or making a later inconsistent appointment of a proxy; and
  - delivering a copy of the revocation instrument to the proxy and to the company.
- The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as at the later of (i) the date stated in the revocation instrument (if any); or (ii) the date on which the revocation instrument was delivered to the proxy and the Company (as contemplated above).
- the appointment is revocable unless the proxy appointment expressly states otherwise; and
- if the appointment is revocable, a shareholder may revoke the proxy appointment by:
  - cancelling it in writing, or making a later inconsistent appointment of a proxy; and
  - delivering a copy of the revocation instrument to the proxy and to the company.

The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder.



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