



# INTEGRATED ANNUAL REPORT

2017



**CORONATION**

TRUST IS EARNED™

# Creating value that earns our clients' trust, year after year.

## 2017

- Strong long-term investment performance across portfolios
- Global franchise AUM reaches R71 billion
- Launch of new administration model
- Reopening of SA Equity, Balanced and Absolute strategies to new institutional investors
- Fee reduction across a number of funds
- Best Africa Fund Manager – Ai Capital Markets Index Series Awards
  - AUM: R614 billion
  - Employee Complement: 302
  - Employee Ownership: 25%

## 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

Equities Manager of the Year, Global Manager of the Year – Batseta Imbasa Yegolide Awards.

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 five 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

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 five 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

Rated Level 3: Generic Codes on B-BBEE.

- AUM: R492 billion
- Employee Complement: 246
- Employee Ownership: 25%

## 2001

Best Unit Trust Provider in PwC Survey of South African 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

## 2002

Launch of Kagiso Asset Management

Raging Bull Unit Trust Company of the Year

Named 2nd Best Larger Unit Trust Group over one and three years – Financial Mail/Standard & Poor's Awards

- AUM: R60 billion
- Employee Complement: 131

## 2003

Publicly listed on the Johannesburg Stock Exchange

Runner-up Raging Bull Unit Trust Company of the Year

Best Larger Unit Trust Group over one 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 South African Bankers

- AUM: R54 billion
- Employee Complement: 133

## 2004

Raging Bull Unit Trust Company of the Year

- AUM: R64 billion
- Employee Complement: 138

## 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: 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 five years – Sunday Times Top 100 Companies

Runner-up – Financial Mail Top Companies 2012

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)

Equities Manager of the Year – POA Imbasa Yegolide Awards

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

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%

## 2005

Launch of Coronation Fund Managers (Botswana)

Developed a range of retirement products for the retail market

Raging Bull Unit Trust Company of the Year

Formation of the Imvula Trust – our B-BBEE partner

Closure of Absolute Return unit to new institutional investors

- AUM: R82 billion
- Employee Complement: 140

## 2006

Formation of PPS Investments

Symmetry Hedge Fund Award – Coronation Granite Fixed Income

- AUM: exceed R100 billion
- Employee Complement: 155
- Employee Ownership: 28%

## 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%

## 2008

Launch of two Africa strategies.

- AUM: R125 billion
- Employee Complement: 174
- Employee Ownership: 31%

## 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

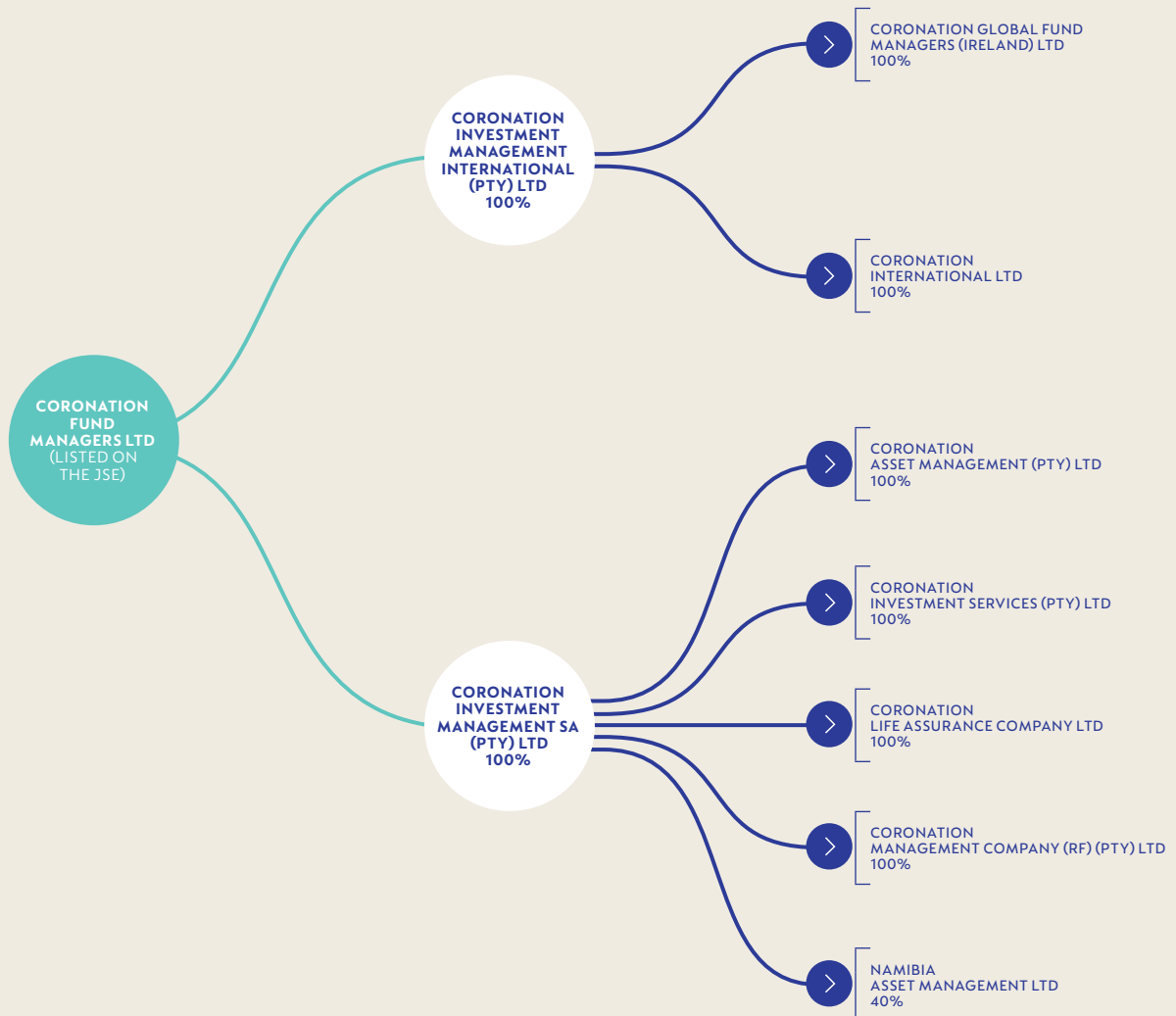
- Employee Complement: 18





# CORPORATE STRUCTURE

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# SCOPE OF THE REPORT

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This report aims to provide long-term investors with a holistic view of how we create value. While primarily for shareholders, it also addresses other stakeholders, including clients and employees, given the important role employees play 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 principles of the South African Constitution, the King IV Report on Corporate Governance for South Africa, 2016 (King IV), the International Integrated Reporting Framework (IIRF), the South African Bill of Rights and Coronation's own code of ethics, 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 – the first four are the most material to our business.

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 57 to 61* for specific information on our human and intellectual capital. Social and relationship capital is addressed on → *Pages 48 to 55*, and as part of corporate citizenship on → *Pages 27 to 30*. The financial performance of the business is provided on → *Pages 102 to 109*.

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 and agree that all the aspects covered in the preparation and presentation of this report, in accordance with the requirements of the IIRF, are deemed to be material to the organisation. The content of this report has, accordingly, been approved for the year ended 30 September 2017.

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 and the auditor's report 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



# CORPORATE INFORMATION

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

Tuesday, 20 February 2018 at 10:00  
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 November 2016)  
Alexandra Watson\*

\* Independent non-executive directors

## 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

## Transfer secretaries

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

## Postal address

PO Box 61051  
Marshalltown 2107

## Auditors

Ernst & Young Inc.  
3rd Floor, Waterway House  
3 Dock Road  
V&A Waterfront  
Cape Town 8001

## Sponsor

Deutsche Securities (SA) (Pty) Ltd  
(A non-bank member of the Deutsche Bank Group)  
3 Exchange Square  
87 Maude Street  
Sandton 2196

# OUR BUSINESS

Coronation is focused on delivering the best possible investment growth over the long term.

As one of the largest independent fund managers in South Africa, Coronation invests the long-term savings of millions of South Africans.

Our clients are individuals, pension and provident funds, medical schemes, banks, insurers and other fund managers in southern Africa. We also manage assets for a growing number of international retirement funds, endowments and family offices.

We have delivered exceptional returns for our clients over time. More than 99% of the portfolios (asset-weighted) invested with us for periods of 20 years have outperformed their benchmarks.

WE INVEST  
**R614 billion**

ENTRUSTED TO US BY OUR CLIENTS

R599 billion in 2016

→ Read more about our commitment to long-term investment growth on pages 20 and 21.

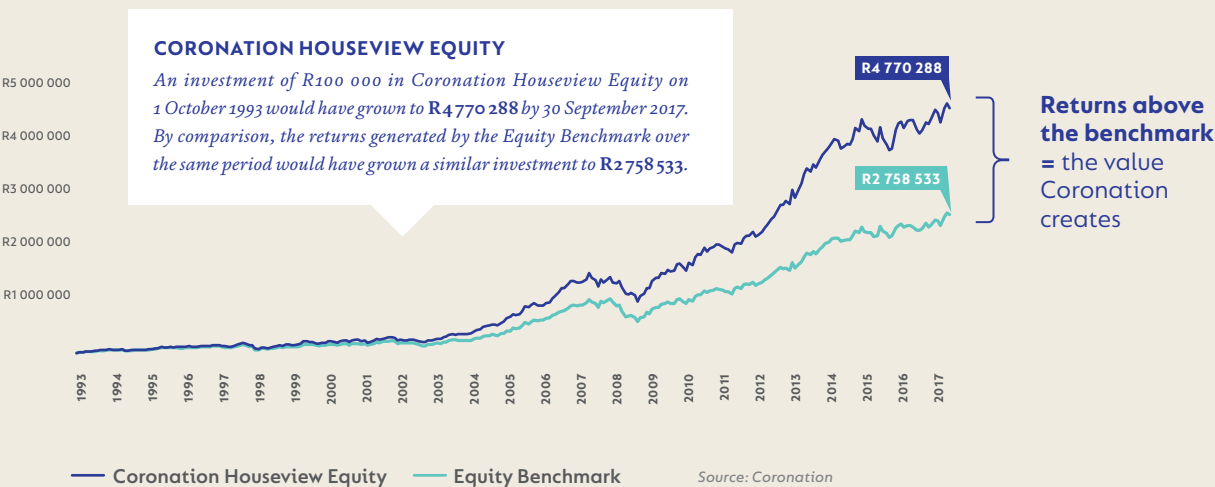
## STRONG LONG-TERM INVESTMENT RETURNS

Coronation's investment team invests our clients' savings according to our long-term investment philosophy (→ Refer to page 37). We invest in opportunities across the world and carefully match investments with the risk profile of each product.

## VALUE CREATED

**>70%**

THAN THE MARKET'S RETURN



Performance figures are quoted gross of management fees after the deduction of certain costs incurred within the particular fund.

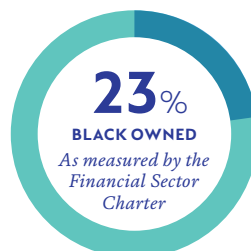
## A RESPONSIBLE CORPORATE CITIZEN

## OUR FOCUS IS ON THE long term

WE DON'T TAKE SHORT CUTS

In everything we do, we consider the long-term impact of our actions on our business, the wider community and the environment. Before we invest in companies, we also consider the environmental, social and governance impact of their actions. We believe trust can only be earned by maintaining the highest standards of integrity.

## A PROUDLY SOUTH AFRICAN COMPANY



MEANINGFUL  
TRANSFORMATION IN  
THE SOUTH AFRICAN-  
FOCUSED INVESTMENT  
TEAM



**THREE OUT  
OF FOUR**

LEADERSHIP ROLES  
ARE BLACK

Head of fixed income, head  
of SA equity research, and  
head of SA equity



→ Read more about our employees and our key focus on the transformation and diversity of our people from pages 57 to 61.

## ADVANCING ECONOMIC TRANSFORMATION

### BLACK-OWNED STOCKBROKERS

FOR MORE THAN A DECADE, WE HAVE ALLOCATED 10% OF OUR ANNUAL SOUTH AFRICAN BROKERAGE TO EMERGING BLACK STOCKBROKERS.

### BLACK FINANCIAL ADVISERS

WE ASSIST IN THE DEVELOPMENT OF BLACK FINANCIAL ADVISERS THROUGH A BESPOKE BUSINESS DEVELOPMENT PROGRAMME.

### INDEPENDENT BLACK-OWNED BUSINESS

IN THE PAST YEAR, WE SUPPORTED THE ESTABLISHMENT OF INDEPENDENT BLACK-OWNED ADMINISTRATION TRANSFER AGENCY, INTEMBEKO INVESTMENT ADMINISTRATORS.

→ Read more on our approach from pages 27 – 30.

**14 000**

CHILDREN

BENEFICIARIES OF OUR MATHS AND LITERACY PROGRAMMES IN INDIGENT COMMUNITIES IN 2017.

**5 110**

SMALL BLACK  
FARMERS

+ 215 COOPERATIVES WERE GIVEN THE TOOLS TO ESTABLISH SUSTAINABLE BUSINESSES IN 2017.

**178**

YOUNG SOUTH  
AFRICANS

HAVE RECEIVED BURSARIES AND SCHOLARSHIPS FROM CORONATION SINCE OUR INCEPTION IN 1993.

Our entrepreneurial culture  
drives our success, and  
that of all our stakeholders.



# OUR CULTURE

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*Founded in 1993, Coronation began with zero assets and no clients. From inception, a strong entrepreneurial culture of performance and excellence drove its success. As Coronation has grown, this culture has remained an integral part of the company DNA.*

*Coronation has a flat, high-performance structure, where employees are encouraged to take ownership.*

*Our six shared values define our culture, shape our principles and inform our behaviour:*

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## WE ALWAYS PUT CLIENTS FIRST

Unlike fund managers housed within large financial services groups, **we are independent** and do not have the safety net of in-house assets. Our clients allocate assets to us because **they trust us** to manage their capital responsibly and sustainably. Our retail distribution is mainly through the non-affiliated channels of independent financial advisers and linked investment service providers. Accordingly, our business depends on **delivering excellent investment returns** and **service to our clients**. We are not an asset gatherer and we do not chase profits: **the needs of clients always come first.**

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## WE ALWAYS ACT WITH INTEGRITY

At Coronation, we believe **trust is earned**. We have a fiduciary responsibility to our clients to act with **uncompromising integrity**. Employees are expected to maintain the **highest ethical standards** in everything they do.

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## STRONG PERFORMANCE CULTURE

**We are unashamedly a meritocracy.** We believe in rewarding an employee's contribution, not their job title. **We have a culture of excellence**, and one that is attractive to **highly skilled investment professionals**.

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## OWNERSHIP

Our employees are part-owners in the business and are expected to act as owners. **We believe that asset management companies should be owner-managed.** Ownership empowers employees and entrenches long-term thinking across all areas of the business. This aligns with our investment philosophy, business objectives and remuneration approach. Our culture of ownership is reflected in the large group of our employees who participate in long-term incentives, with vesting periods which extend as far as 2022 ([→ Refer to page 65](#)). **Ownership aligns employees' interests with those of all stakeholders.**

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## LONG-TERM THINKING

We believe a key risk to the investment industry is that market participants increasingly focus on the short term. This is a fundamental mismatch given the typical long-term objectives of most pension funds and individual 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.**

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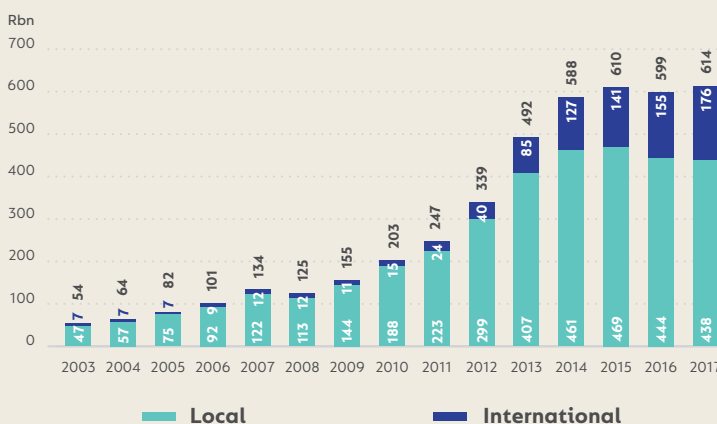
## TEAM-BASED ORGANISATION

**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.

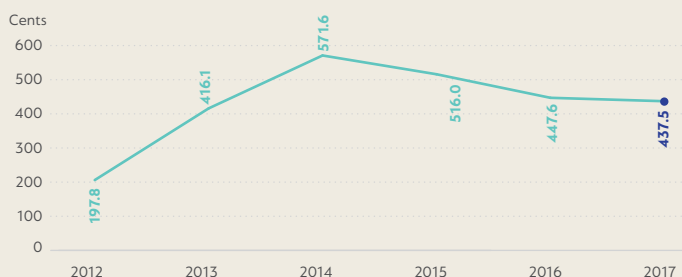
# 2017 AT A GLANCE

In a tough domestic environment, Coronation delivered a credible performance.

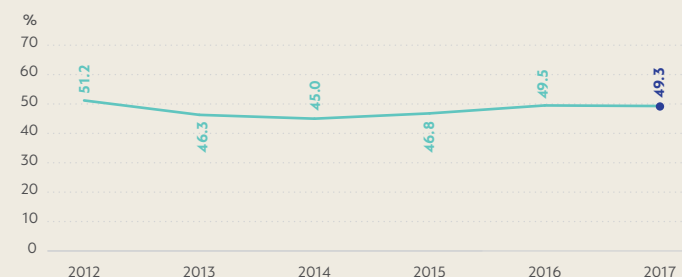
ASSETS UNDER MANAGEMENT INCREASED IN CURRENT YEAR  
Supported by strong capital appreciation and slowdown in net outflows



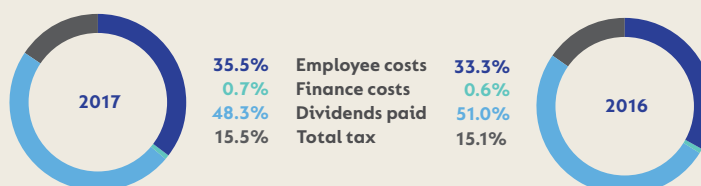
**437.5 cents**  
DILUTED HEADLINE  
EARNINGS PER SHARE



**49.3%**  
STRICT COST CONTROL  
COST-TO-INCOME RATIO



## VALUE ALLOCATION TO STAKEHOLDERS



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**WE INVEST**  
**R305bn**  
*on behalf of South African institutional clients*

## OUR SOUTH AFRICAN INSTITUTIONAL BUSINESS

### Highlights:

- ▶ A strong investment performance across institutional portfolios.
- ▶ A positive reaction following the reopening of some of our top-performing portfolios to new clients. These products have been closed for five years.
- ▶ Complete and easily understandable range of solutions.
- ▶ Fee reductions included a cap on hedge fund fees – a global first.

- ▶ Total net outflows of R43.7bn, sharply down from net outflows of R58.1bn in 2016.

### Challenges and risks:

- ▶ The weak South African economic environment has depressed the savings market.
- ▶ South African retirement funds continue to see net outflows.

**WE INVEST**  
**R71bn**  
*on behalf of international retirement funds, endowments and family offices*

## OUR GLOBAL INSTITUTIONAL BUSINESS

2017 was an important year for our global franchise. We saw strong global interest in our investment strategies, with R7.4bn in new flows from international asset allocators.

### Highlights:

Our global franchise is a compelling business in its own right. Its growth will be a key focus in future years:

- ▶ We are enhancing our relationships with global asset allocators, mainly for investments in our Global Emerging Markets Equity and Global Managed strategies.

- ▶ We are building the track records of our Global Equity and Global Frontiers strategies.

### Challenges and risks:

- ▶ A highly competitive market.
- ▶ Increasingly complex regulatory environment.

→ Read more about our strategic focus on building a global franchise page 24 and 25.

**WE INVEST**  
**R238bn**  
*on behalf of investors in unit trusts, retirement annuities, provident funds and tax-free investments*

## OUR PERSONAL INVESTMENT BUSINESS

### Highlights:

- ▶ Further fee reductions announced on core multi-asset funds.
- ▶ Continued investment in retail client-facing infrastructure, including the launch of a new administration model.
- ▶ Strong long-term performance across unit trusts.
- ▶ Net outflows of R6.9bn – a significant improvement from net outflows of R18.4bn in 2016. This improvement followed many years of rapid growth, with Coronation receiving a disproportionate share of industry flows.
- ▶ We have launched various initiatives to improve client service, including a new customer relationship management platform.

### Challenges and risks:

- ▶ The retail savings market remains weak. At industry level, there has been a significant slowdown in inflows over the past 12 months.
- ▶ Saving levels are being impacted by the weak economy, with a lack of employment growth further depressing consumer income and confidence. Political, regulatory and policy uncertainty, as well as the prospect of further ratings downgrades, remain concerning.



At Coronation, our people  
are our greatest asset.







# CHAIRMAN'S STATEMENT

Shams Pather BBUSSC, BCOM (HONS), MBA



I am pleased to report that Coronation delivered a solid performance in the year to end-September 2017.

It has now been almost a quarter of a century since the company first opened its doors. A determined focus on delivering long-term investment outperformance fuelled Coronation's rise from a small firm with no clients to one of the largest independent asset managers in the country. This commitment remains key to its success, and in the past year Coronation delivered significant value for its stakeholders.

## Investing environment

Across the globe the impact of the global financial crisis is still evident in the excessive liquidity and low inflation which continue to prevail. Growth expectations are, however, being upgraded.

Still, 2017 has been a particularly challenging year for South Africa. Unemployment is at an all-time high at 27.7%. Deepening levels of poverty and inequality threaten our social fabric and the ability to create an open and cohesive society. Given the deep divisions within the ruling ANC, political uncertainty has reached untenable levels.

As the country sought to recover from the surprise axing of finance minister Nhlanhla Nene in December 2015, significant headway was being made to restore economic stability. Regrettably this progress was short-lived. In April 2017 both Pravin Gordhan and his deputy Mcebisi Jonas were fired. Downgrades followed and South Africa is still attempting to recover from this unwarranted cabinet reshuffle.

*Economic growth  
will require focus,  
commitment and  
a meeting  
of minds that are  
currently very  
far apart.*

2017 was also the year when #Guptaleaks and 'state capture' made headlines almost daily. Serious concerns persist in relation to corruption and weak corporate governance within state-owned enterprises. Furthermore, there is also disquiet regarding the depths of corruption at local government level. The failure to deliver basic services has the greatest impact on the poor.

Given recent developments, there are now also serious concerns about corporate governance in the private sector.

At the time of writing, the ANC is hurtling towards its Elective Conference. What happens at Midrand will have serious repercussions well into the future. Within 30 years the Rubicon is again waiting to be crossed.

The prevailing uncertainty has taken a painful toll on the South African economy, which is expected to grow by less than 1% in 2017. Household income is stagnating because there has been no employment growth, and while inflation is more subdued, it has not compensated for a bigger tax burden. Companies have not invested because profitability has suffered and due to concerns about the economy.

The 2017 Medium Term Budget Policy Statement showed a significant deterioration in fiscal metrics, with the consolidated deficit now projected at -4.3% of GDP in the current fiscal year. The risk of another downgrade looms uncomfortably high. South Africa now has few levers to pull to generate higher growth. Growth from here will require focus, commitment and a meeting of minds that are currently very far apart.

Elsewhere, the US has fared the best of the major economies, but even it is still struggling with a slow healing process. Europe is also on the mend and growth is stabilising in China, with high debt levels remaining a concern. Still, growth expectations are being upgraded around the world.

Renewed confidence bolstered global markets worldwide and for the year the MSCI All Country World Index delivered a return of 18.7%. The MSCI Emerging Markets Index added 22.5% (both in US dollar terms), while the FTSE/JSE All Share Index gained 10.2% (in rand terms). Despite ongoing domestic political uncertainty and volatility in the US dollar and euro, the rand exchange rate has been relatively resilient during the 12-month period, with the local currency strengthening by 1.2% against the US dollar (to close at R13.55) and by 3.7% against the euro (to close at R16.01).

## **Business overview and strategy**

Coronation's entire range of client portfolios performed very well against this backdrop. Its long-term investment approach continued to yield strong returns, supporting Coronation's track record of producing significant market-beating returns over all meaningful time periods. Since inception, 98.9%\* of Coronation's institutional and retail assets have outperformed their respective benchmarks. This is a remarkable achievement in the industry.

As a cyclical business, Coronation's revenue stream is highly geared to the returns of the market and the level of outperformance it generates on behalf of its clients. While total assets under management rose by 2.5% for the full year, average assets under management declined by 3.5% over the period, contributing to the decline in revenue of 3.1% to R3.9 billion for the year. Although certain once-off fixed expenses relating to Coronation's retail client reporting and correspondence system and outsourced fund administration function were incurred in the year under review, the decrease in variable expenses resulted in an overall decline of 4.2% in total expenses. The variable cost nature of its business model dampens the impact of a decline in revenue on profits. The combined effect of these factors was a decline of only 2.3% in diluted headline earnings per share to 437.5 cents (September 2016: 447.6 cents).

\* Asset-weighted portfolios that have been invested with us for more than 10 years.

*Remarkable  
progress in  
transforming  
Coronation's  
business*

2017 has been an important year for Coronation. Its employees made significant progress in achieving key strategic objectives. Coronation's main strategic driver continues to be long-term investment performance, and it delivered strong returns in the past year.

Its strategic goal of delivering excellent client service reached an important new milestone. The launch of a new investment administration model will achieve a consolidated service across local and offshore portfolios. This is expected to support client service through world-class administration across all funds, both local and global. Coronation is also insourcing key retail client service correspondence, and transfer agency services will be moved to a new independent black-owned entity, Intembeko Investment Administration (IntIA).

In the past year, the business also advanced another of its strategic goals: growing its global franchise. Coronation's expertise in managing money in frontier and emerging markets is increasingly recognised outside of South Africa. Coronation attracted R7.4 billion from investors domiciled abroad during the past year.

A proudly South African company, Coronation remains committed to building a global fund management business.

## **Governance**

Over the past year, the board and executives spent much time engaging with stakeholders to get their views on our business. We have been encouraged by their support and considered insights, as well as the clear understanding that Coronation is aligned with their interests. Accordingly, we have improved disclosure in this year's report. We endeavour to continue to engage with stakeholders, both in South Africa and abroad, to strengthen these relationships.

The CEO has also led engagements with various civil society stakeholders and platforms, including Business Leadership SA, as part of Coronation's efforts to promote ethical leadership in the country. Coronation is determined to drive positive change, and has in the past year made large investments to improve education, fund bursaries and bolster entrepreneurship. In particular, its numeracy and literacy projects at primary schools have achieved great success.

We have been aligning the business with the new King IV corporate governance principles. Testing business practices, compliance, risk management and operational structures against these benchmarks has confirmed that the company is managed to a high standard.

The board has appointed Professor Alexandra Watson as the lead independent director, to strengthen independence on the governing body.

## **Transformation**

Over the years, the company has made remarkable progress in substantively transforming its business to reflect the country's diversity.

The majority of its employees are black, as are many of its most senior managers. Its investment team has seen material transformation: 43% of senior portfolio managers in the South African-focused investment team are black and three out of the four leadership roles are held by black employees. Coronation is 23% black owned (as measured by the Financial Sector Charter), which includes its employee-owned empowerment vehicle, the Imvula Trust.

Coronation has a strong track record of backing black-owned businesses. We supported and are excited about the launch of IntIA that will provide transfer agency services to Coronation.

*Since 2006, Coronation has allocated more than R245 million in brokerage to emerging black stockbrokers.*

Coronation has also maintained its commitment to spend at least 10% of its annual South African brokerage with emerging black stock brokers.

## Conclusion

The business remains anchored in its relentless commitment to the long term and the delivery of compelling investment returns for clients. The near-term outlook appears sound. Net flows have normalised over the past year; the business is yet to see the flow impact of the reopened South African institutional strategies. Its global franchise continues to show strong prospects across a wider range of strategies. Further, its long-term investment track record has been bolstered by its contrarian views, which have been vindicated over the past two years. While continued near-term volatility and uncertainty may persist, its robust investment approach enables it to make the appropriate long-term decisions for the benefit of clients. Coronation's success in achieving this will generate long-term value for all stakeholders.

## A note of thanks

As the devastating consequences of corruption and governance failures became increasingly apparent in South Africa, Coronation remained committed to the highest ethical standards. Employees are expected to act with integrity in everything they do and I would like to thank them for maintaining their uncompromising stance about ethics. We also appreciate their ongoing commitment to Coronation, and for delivering excellence in all areas of the business.

I also wish to thank my fellow board members for their wise counsel and judicious approach in an increasingly complex environment.

On behalf of everyone at Coronation, we would like to thank our clients, intermediaries and shareholders for your continued support, and for trusting us to grow your investments. We remain committed to earn your trust.



# CHIEF EXECUTIVE OFFICER'S REVIEW

Anton Pillay BBUSSC, CA(SA), CFA, AMP (HARVARD)



→ For more on our corporate citizenship, please turn to page 27.

*Trust can only truly be earned by being uncompromising about ethics.*

As a proudly South African company, we continued to focus on building a world-class global fund management business.

While 2017 posed many challenges for our country, it proved a defining year for Coronation and we made large investments in the business to ensure the best outcomes for all our stakeholders.

We are living in extraordinary times of political and economic crisis, which has eroded trust in some of our key institutions. Coronation is a business built on trust; we know it can only be earned by consistently doing the right thing.

For almost a quarter of a century, Coronation has been trusted to be the stewards of our clients' savings. We believe we have earned that trust by always putting the interests of our clients first, and by delivering what they expect from us: strong long-term investment performance and excellent service.

More than that, trust can only truly be earned by being uncompromising about ethics. The moral slippage in our country has been disconcerting,

both in the public and private sector. We have supported efforts to expose patronage and corruption in all sectors of society, and we hope that greater transparency and governance will lead to a new era of proper checks and balances.

Still, grave damage has been done to our economy, the effects of which will be felt for years to come. Following the midnight-hour cabinet reshuffle at the end of March 2017 and a sharp deterioration in fiscal discipline, South Africa lost its investment grade rating, which was secured through great effort 17 years ago. The fall-out has the most serious consequences for the poor, who have no defence against the economic deterioration.

## Business overview

The weak economy and fraught employment market have also depressed the savings market in the past year, constraining the environment in which Coronation operates.

We have, however, delivered a credible set of results, closing the year with assets under management of R614 billion. This year we

*We have been managing money in an open emerging market for almost a quarter of a century.*

also saw a significant reduction in outflows, totalling R43.3 billion, compared to 2016 (R79 billion), across both the retail and institutional client segments.

Our retail assets under management increased to R238 billion in the period. Poor economic sentiment and challenging conditions in the local economy contributed to subdued net inflows in the collective investment schemes industry which were significantly below the average achieved since the global financial crisis.

Our local institutional assets under management totalled R305 billion, which represents a meaningful share of the formal savings market. Continued net outflows were seen from the local pension funds industry. Economic conditions have exacerbated a poor savings culture. The industry also saw the impact of retrenchments and resignations. Our decision to reopen our top-performing SA Equity and Multi-Asset portfolios to new investors in March 2017 (after being closed for nearly five years) has been very well received by the market, and increased engagements are taking place with South African investors. We continue to lead the market in many areas, including in making bold new changes to our hedge funds fees, which is a global first and remain well positioned to take advantage of industry shifts. A large number of our institutional investors have been invested with us for more than a decade and we are proud of the investment returns they have achieved.

Currently, we manage a combined total of R71 billion (September 2016: R51 billion) on behalf of international investors, as detailed on → [Page 24](#). We made significant headway in achieving our strategic goal of building a truly global asset manager. In the past year, we have attracted R7.4 billion in new flows (14.5% of opening assets under management) in our global strategies on behalf of a number of leading international retirement funds, endowments and family offices. Our global clients value Coronation's homegrown perspective. We have been managing money in an open emerging market for almost 25 years, investing and protecting clients' savings amid ongoing currency and political shocks. This has stood us in good stead, helping us become disciplined investors

who can cut through the noise and focus on the long term. It has also helped us to find value where others may only see risk, especially in emerging markets, where we understand the dynamics of developing economies despite political turmoil. This remains a compelling business and growing this franchise will be a key focus going forward.

We have a complete and easily understandable range of solutions available to all our clients across the globe, underpinned by investment performance and outstanding client service.

Our long-term investment performance remained excellent. This is due to a tried and tested investment philosophy, which is based on identifying investments that are 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 portfolios that have the ability to meet investors' long-term objectives despite the outcomes of uncertain macro events.

Over the past few years we have also been planning some significant changes to the business and this year saw the implementation of some of these initiatives. We are excited about the benefits that these will bring to our business:

- The past year heralded a new chapter in Coronation's history: the launch of a new administration services model. This is in response to a substantial transformation in our business in recent years. From being a manager of purely South African mandates, we now manage strategies that invest in South Africa, developed markets, other emerging markets as well as African and frontier markets. To support our growth and ambitions, and to provide our clients with excellent service across products and countries, we elected to consolidate our asset administration. Following a comprehensive review of our operations and client services, our South African and international products, will now be administered by a single provider. We have also facilitated the creation of a black-owned transfer agency business, Intembeko Investment Administration.

*Our focus remains on building diversified portfolios of undervalued assets that can withstand shocks.*

- To further our strategic objective of excellent client service, we have launched a new retail client correspondence solution as well as a new customer relationship management platform.
- We have announced bold changes to the fees in many of our top-performing funds in the past year. This is part of our commitment to secure the best investment outcomes for our clients.

We continue to make investments in our business, specifically in the technology to enhance our clients' service experience and to achieve greater operational efficiencies. We also remain extremely vigilant of all technology-related risks and in the past year we have bolstered our defences against cybercrime and fraud. This year, we have included an information technology and systems report as detailed on → [Pages 97 to 101](#).

The asset management industry continues to face an increase in regulation, both locally and internationally. As we build our global franchise, we are allocating resources to access expertise and ensure compliance with regulatory requirements across all relevant jurisdictions. In addition, we remain an active contributor in shaping the local regulatory landscape by participating in industry consultations via the Association for Savings and Investment SA (ASISA), and directly with regulators as required.

Given our operations in Dublin and London, we have remained abreast of European regulatory developments, and in particular the Markets in Financial Instruments Directive, or MiFID II, which takes effect in January 2018. Management has also been monitoring Brexit developments in order to understand the impact on our business model.

In South Africa, the shifting regulatory landscape has generated high volumes of regulation. In particular, the Financial Sector Regulation Act, No. 9 of 2017 was signed into law in 2017, introducing the 'twin peaks' regulatory model.

The new framework of supervision is yet to be released, and Coronation expects to engage with the authorities on this material development throughout 2018. We are also preparing for the implementation of the Protection of Personal Information Act, No. 4 of 2013 (POPI Act) and the Financial Intelligence Centre Amendment Act, No. 1 of 2017 (FICA Act), among other initiatives.

## Outlook

We will continue to focus on what we do best: delivering investment excellence for our clients. In the next year, we will continue to strengthen our business and build our global franchise. But while we are working hard to become a world-class global asset manager, we cannot do it in isolation from what is happening in the country. Uncertainty over policies and governance has had a detrimental impact on the operating environment for all South African businesses. Our hope is that 2018 will bring alignment between all stakeholders in South Africa, to chart a new, unified way ahead.

We will, however, continue to invest in our business and our people, who ultimately determine our success in delivering on our commitments to all stakeholders. We pride ourselves on attracting and retaining highly skilled professionals, who are in demand globally. 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.

History has taught us, time and time again, that our ability to forecast the immediate future is limited. Our focus remains on building diversified portfolios of undervalued assets that can withstand the inevitable shocks associated with financial markets.

We thank our clients who have entrusted us with their hard-earned savings. They can be assured we will remain steadfast in our commitment to deliver investment excellence.

# OUR STRATEGIC OBJECTIVES

*The past year was a milestone year in achieving our key strategic objective of delivering investment excellence. This is supported by the following strategic focus areas:*



Our performance against each of these strategic focus areas is detailed below:



## LONG-TERM INVESTMENT GROWTH

*Coronation is committed to delivering strong investment returns. This remains the key driver of our business strategy. Over the past year, we delivered strong returns amid extraordinary local and global uncertainty.*

### Investment performance

Our institutional and retail clients who have been invested with us for meaningful periods of time have enjoyed exceptional returns → *Refer to pages 40 to 41.*

#### Institutional assets:

- 97.0% have outperformed their respective benchmarks over 10 years
- 96.2% have outperformed their respective benchmarks over 20 years

#### Retail assets:

- 95.8% have outperformed their respective benchmarks over 10 years
- 99.8% have outperformed their respective benchmarks over 20 years

### Institutional: balanced portfolios

QUARTILE RANKING TO 30 SEPTEMBER 2017	10 YEARS	20 YEARS	SINCE INCEPTION
Alexander Forbes SA Large Manager Watch™	1st	–	1st
Alexander Forbes Global Large Manager Watch™	1st	1st	1st

→ For more detailed investment performance information, please refer to page 40 to 41.



## Retail: domestic flagship funds

QUARTILE RANKING TO 30 SEPTEMBER 2017

INVESTOR NEED	FUND	5-YEAR RANKING	10-YEAR RANKING	SINCE INCEPTION RANKING
Long-term Growth (equity only)	<b>Top 20</b>	1st	1st	1st
Long-term Growth (multi-asset)	<b>Balanced Plus</b>	1st	1st	1st
Income and growth	<b>Capital Plus</b>	3rd	1st	1st
	<b>Balanced Defensive</b>	1st	1st	1st
Income only	<b>Strategic Income</b>	1st	1st	1st

Source: Morningstar as at 30 September 2017

## Retail: international flagship funds

QUARTILE RANKING TO 30 SEPTEMBER 2017

INVESTOR NEED	FUND	5-YEAR RANKING	10-YEAR RANKING	SINCE INCEPTION RANKING
Long-term Growth (equity only)	<b>Global Emerging Markets</b>	1st	–	1st
	<b>Global Opportunities Equity</b>	1st	1st	1st
Long-term Growth (multi-asset)	<b>Global Managed</b>	1st	–	1st
Preservation and growth	<b>Global Capital Plus</b>	2nd	–	1st

Source: For GEM (USD): Bloomberg as at 30 September 2017. For all other funds (rand-denominated): Morningstar as at 30 September 2017.

## Challenges and risks

As we approach the 10-year anniversary of the global financial crisis, we believe complacency is the biggest investment risk at present. The combination of improving global growth, moderate inflation and supportive central bank policy has provided a positive backdrop for global equity markets in the past year. However, we believe quantitative easing has created the delusion of permanent liquidity, and may have encouraged the mispricing of risk. In addition, many asset classes are highly priced due to excess liquidity and investor complacency.

Despite reduced volatility, significant risks therefore persist. These risks warrant a conservative rather than aggressive bias when constructing investment portfolios.

### Current key geopolitical risks include:

- ▶ disruption to the high levels of liquidity – currently a ‘wall of money’ is searching for yield (specifically in emerging market currencies and bonds, and global bond markets in general);

- ▶ the rising threat of populism, nationalism and protectionism;
- ▶ a destabilising Brexit;
- ▶ geopolitics (specifically in relation to North Korea); and
- ▶ a credit bubble in China.

In South Africa, a lack of political and policy certainty has depressed the economy, exacerbating the underlying structural problems of poor education and high unemployment. Amid the potential impact of further ratings downgrades, the outlook for the South African economy remains poor, creating a tough operating environment for domestic companies.

As long-term investors, we cannot predict how the current set of uncertainties will play out. We remain focused on valuation and will seek to take advantage of attractive opportunities that may emerge. We aim to generate inflation-beating returns for our investors over the long term.

Amid market uncertainty, our objective remains to build diversified portfolios that can withstand shocks.



## EXCELLENT CLIENT SERVICE

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*Our aim is to match excellent investment performance with outstanding client service.*

Putting clients' needs first is at the forefront of what we do. We know that without clients we have no business and that the assets under our management can leave us at 24 hours' notice.

In the past year, we believe that we demonstrated our commitment to achieving excellent client service:

### CLIENT SATISFACTION

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Coronation maintained high levels of positive client feedback in the past year (→ *Please refer to page 42*). Our compliance department reviewed all complaints received on a monthly basis and in the year under review no complaints were escalated to the audit and risk committee.

### FEES

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Fee reductions introduced over the past two years continue to benefit clients. We announced an additional fee review in 2017. We further simplified our fee structures, and reduced fee levels on a wide range of portfolios (→ *Please refer to pages 42 to 43*), effective October 2017.

### TRANSPARENCY

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We continue to support the principles of clear information disclosure. In 2017, we implemented the second phase of the Effective Annual Cost standard, which requires ongoing disclosure of investors' total expected costs. This is available to all Coronation personal investors through their online account. We also took steps to provide a more detailed breakdown of fees and charges that comprise the total investment charge. This detailed breakdown is available in our fund fact sheets. Towards the end of 2017, we introduced newly-designed client statements, which we hope present the client's investment position more clearly.

### CLIENT SECURITY

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Coronation invests significant energy and resources to keep our clients' information secure. Over the course of the year, we rolled out further controls including voice biometrics in our call centre. This ensures that clients are verified using their unique voiceprint. For more information on our IT risk approach, → *Please refer to page 97*.

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## New client service initiatives

We initiated various client service enhancements during the year. We believe that these initiatives will enhance client service in coming years:

- ▶ We adopted a **new administration model**, moving from different administrators for South African and offshore products to a single provider that will administer our local and global funds (→ *Please refer to page 99*).
- ▶ A new black-owned entity, Intembeko Investment Administrators (IntIA), was launched to provide **dedicated client administration and transfer agency services** to Coronation (→ *Please refer to pages 15, 18, 23 and 28*).
- ▶ Our unit trust administration was successfully transferred to a **new platform**, Oracle FLEXCUBE. We believe the change will reduce operational business risk and improve business processes.
- ▶ We insourced our end-to-end, retail client engagement process with the launch of a **new, integrated correspondence solution**. All client and adviser correspondence (including correspondence via email, post and SMS) is now in-house. We believe that taking ownership and control of our client and adviser correspondence will enable us to deliver better client service, thereby strengthening our competitive advantage.

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## MEASURING CLIENT SERVICE

We aim to provide excellent levels of service to all our clients, measured through ongoing client experience surveys with our direct retail investors, as well as annual qualitative research among financial advisers. In 2017, we launched a new annual client survey.

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.

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→ Read more about  
how we create value for  
clients from page 36.



## GROWING A GLOBAL FRANCHISE

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*As a proudly South African business, we are building a global asset management company.*

*Best Africa  
Fund Manager  
for the fourth time  
in seven years  
– Ai Capital  
Market Index  
Series Awards  
2017.*

As an emerging market company, we have been investing and protecting clients' savings in small, open economies amid ongoing currency and political shocks for almost a quarter of century.

This has helped us become disciplined investors who can cut through the noise and focus on the value offered by individual companies over the long term. It has also helped us to find exceptional value where others may only see risk. This is especially true in emerging markets, where we understand the dynamics of developing economies against the background of political turmoil.

We manage a combined total of R71 billion (September 2016: R51 billion) in our global strategies on behalf of a number of leading international retirement funds, endowments and family offices.

As a proudly South African business, we are building a global asset management company.

In the more than nine years since the launch of our global franchise, we have made great strides in establishing a world-class track record across our entire product range. Our global franchise has developed into a compelling business, and growing it will be a key focus area in the years ahead.

Our homegrown expertise in managing money in emerging and frontier markets is being recognised by an increasing number of international allocators of capital. We believe exposure to these fast-growing markets will become increasingly vital, and our active, valuation-driven investment approach should continue to yield attractive returns.

We believe active investors like ourselves will deliver the best returns in emerging markets: many of the best investments in these markets lie beyond the largest indices.

We do not believe that indices such as the MSCI Emerging Markets Index are an appropriate reflection of all the value and investment opportunities in emerging markets. Many of the holdings in the index are often below-average businesses (particularly state-owned banks and energy groups), which are subject to significant state regulation. Often, these companies are poor stewards of capital, and are exposed to cyclical earnings.

In addition, with any similar index, or by investing in an index fund, an investor would systematically own more overpriced stocks, sectors and countries, and fewer of their under-priced counterparts. The importance of researching and selecting a winning portfolio with strong opportunities within emerging markets is even greater when the overall backdrop is challenging.

*We continue to enhance our relationships with global asset allocators.*

Accordingly, we build clean-slate portfolios that are based on our assessment of the most compelling risk-adjusted investment opportunities in emerging markets. Our portfolios therefore look significantly different to the index. In fact, we are comfortable taking decisive positions away from the benchmark when the investment case is compelling, as these positions are underpinned by convictions derived from our proprietary analysis.

We have identified a number of high-potential businesses in fast-growing industries, with small (or no) weightings in the index. This has resulted

in significant value creation for our clients over the years. This is evident in the performance of the Coronation Global Emerging Markets Equity Strategy, which has delivered an annualised return of 8.5% (in US dollars) since inception in 2008. The strategy has outperformed its benchmark (the MSCI Daily Total Return Net Emerging Markets USD) by 5.3% per annum.

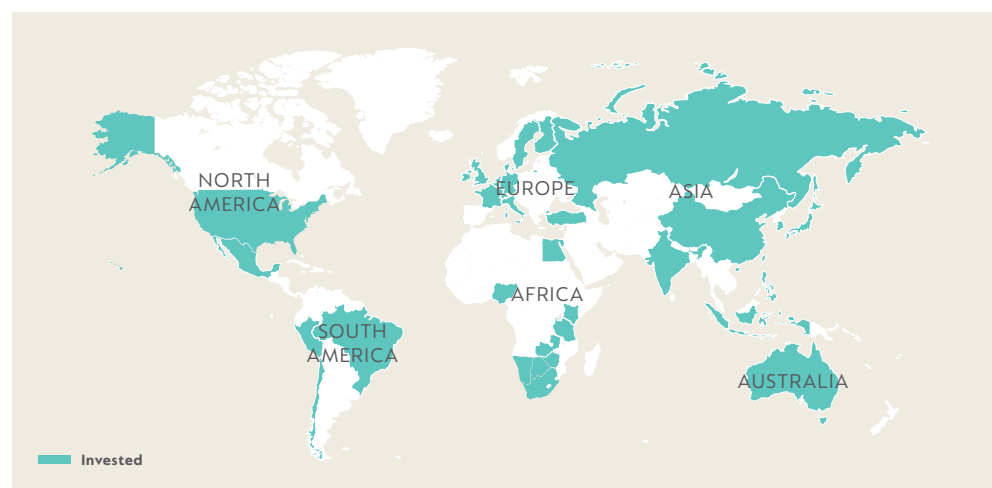
## Strong international track record

### US dollar returns since their respective launch dates

OFFSHORE USD FUNDS	ACTIVE RETURN* %	LAUNCH DATE
Global Equity Fund of Funds	2.0	01-Jul-00
Global Emerging Markets Equity Strategy	5.3	14-Jul-08
Global Bond	2.2	01-Oct-09
Coronation Africa Frontiers Strategy	8.8	01-Oct-08
Global Capital Plus	7.1	01-Sep-09
Coronation Global Managed Strategy	2.2	01-Nov-09

\* Annualised active return for institutional portfolios (gross of fees) since launch to 30 September 2017

### Where Coronation is invested on behalf of clients



Countries that have a weight of less than 0.01% of assets under management are not included.



## GOVERNANCE

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*Coronation manages its business to the highest ethical standards.  
It tests business practices, compliance, risk management and operational  
structures against a robust corporate governance framework.*

Coronation maintains a robust corporate governance framework. This framework is effected through a unitary board that comprises a majority of independent, non-executive directors from diverse backgrounds, skill sets and experience. The board is primarily responsible for the strategic leadership of the group, with the aim of maintaining an ethical, effective and sustainable business for all stakeholders.

The board is supported in its role by three subcommittees, which discharge responsibilities on behalf of the group (→ [See pages 83 to 87](#)), as well as by its subsidiary boards. The chief executive officer serves as an executive director on each subsidiary board, ensuring the consistent application of the group's overall strategy.

The executive directors and management are responsible for implementing the strategy of the board, as well as ensuring the effective operation of all areas of the business. This includes development and implementation of appropriate policy, as approved by the board, in addition to ongoing reporting to the board and its subcommittees.

The integrity of the operating model and, consequently, the information produced for the board, is ensured through the group-wide combined assurance model (→ [See page 88](#)).

Compliance with all regulatory and statutory obligations remains a high priority for the group. This includes compliance with relevant frameworks that suggest leading governance practices. Accordingly, the board is guided by the principles set out in King IV, which affirm our existing approach to corporate governance.



## CORPORATE CITIZENSHIP

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*We are determined to yield positive returns in everything that we do.*

Our focus is on the long term. In everything we do, we consider the long-term impact of our actions on our business, our stakeholders, the wider community and the environment:

### **We strive to conduct our business with integrity.**

Our board-appointed committees monitor our business progress and development. This includes oversight of and monitoring adherence to Coronation's code of ethics and related policies, as well as reviewing monthly reports submitted via our anonymous whistle-blowing hotline. This is administered by a third party, with direct reporting to the independent chair of the audit and risk committee.

In the past year, we assumed an advocacy role in South Africa amid concerns about the integrity of our state to help secure an inclusive and growing economy. We engaged with various government bodies on various issues, as well as with regulators via ASISA. Coronation is part of the CEO Initiative, and joined Business Leadership South Africa (BLSA) in the past year. BLSA is an independent association whose members include the leaders of some of South Africa's largest businesses. Its main strategic objectives include promoting inclusive growth, and protecting and strengthening South Africa's core institutions.

In the past year, Coronation committed itself to BLSA's integrity pledge. The pledge is a public declaration of Coronation's commitment to combat corrupt practices by, inter alia, not acting anti-competitively and by protecting the anonymity of whistle-blowers.

### **We are committed to advancing transformation in South Africa, by achieving the following:**

#### **A transformed, diverse workplace**

Coronation is a proudly South African business.

Through disciplined recruitment, we have achieved industry-leading transformation (→ *Please refer to page 58*) in all areas of our business, and have made a significant contribution to the transformation and development of skills in the broader financial services industry. Over the years, many exceptional black employees were recruited, trained and retained, many of whom now hold critical management roles within the business:

- four out of six of our client-focused operational managers are black
- 63% of the board of directors are black
- three out of four leadership roles in our SA-focused investment team are black (head of fixed income, head of SA equity research, head of SA equity)
- 43% of senior portfolio managers in the SA-focused team are black
- 54% of employees are black
- in the past year, more than 70% of our new appointees are black.

→ Read more about  
our scholarship and  
bursary programmes  
from pages 29 to 30, 54,  
and 60 to 61.

*R245m in  
brokerage has  
been allocated to  
emerging black  
stockbrokers  
since 2006.*

*“Coronation  
ought to be lauded  
for its categorical  
support of black  
stock brokers.  
It has helped to  
create sustainable  
black enterprises  
in the financial  
services sector.”*

*– Butana Khoza  
Founding partner and  
executive director  
of Vunani Ltd*

Our scholarship and bursary programmes have been instrumental in achieving a diverse workplace, and will continue to make a considerable contribution in coming years.

### Black ownership of our company

In 2005, Coronation launched 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 we believed would have a meaningful impact on our business and, over time, achieve true 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.

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

### Supporting black businesses in financial services

#### New black-owned transfer agency

In the past year, Coronation, along with PPS Investments (PPSI), supported the creation of Intembeko Investment Administrators (IntIA) which will provide dedicated and independent transfer agency services. When operational, IntIA will be one of the first black-owned and managed transfer agency service providers in South Africa.

The business is expected to be fully operational by December 2018.

#### Black-owned asset managers

Pre-dating black economic empowerment legislation in South Africa, we pioneered a number of corporate initiatives that contributed to transformation and the development of skills in the asset management and financial services industry in southern Africa.

Our most notable successes include:

- ▶ partnering in the launch of the first Namibian-controlled asset manager – leading to the establishment of Namibia Asset Management in 1996;
- ▶ establishing and funding of African Harvest Asset Management in 1999 (subsequently bought out by Cadiz Asset Management); and
- ▶ launching of Kagiso Asset Management, a joint venture with Kagiso Trust Investments, in 2001.

### Black-owned stockbrokers

In 2006, we introduced a ground-breaking initiative to transform the South African stockbroking industry with the launch of the Coronation Business Support Programme, an intervention to grow emerging black stockbrokers. We allocated a minimum of 10% of our South African equity annual brokerage to a group of black stockbrokers. The allocations were guaranteed for periods of three to five years. Coronation also offered operational and strategic support to the participants. Critical to the programme's success was Coronation's dedicated allocation to skills development, which was one of the key criteria for ongoing inclusion in the programme.

Since 2006, Coronation has allocated in excess of R245 million in brokerage to the programme participants. As a result of this, a number of the businesses have evolved into sustainable stockbroking houses with value-added offerings to the investment community as a whole.

For both the industry and the companies themselves, the transformation has been material.

The programme's success inspired the creation of a broader industry programme. In 2016, ASISA launched its Stockbroker Development Programme, with Coronation as one of its sponsoring managers. Five other large fund managers are also supporting the programme.



## BEE scorecard

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.

The revised FSC has been gazetted as a sector code effective 1 December 2017 in terms of the Broad-Based Black Economic Empowerment Act, No. 53 of 2003. 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.

## 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.

## Black financial advisers

As a sponsor and co-founder of ASISA's Independent Financial Adviser (IFA) Development Programme, we provide business development support and skills training to black IFAs.

Since the programme's inception in 2015, it has trained 60 black IFA practices and created internship opportunities for 43 individuals.

## Black farmers

Coronation has funded the training of small-scale emerging farmers since 2004, in collaboration with the South African Institute for Entrepreneurship. Farmers are trained to help commercialise their operations and run sustainable businesses ([→ Read more on page 53](#)).

## Bursaries and skills development

Since 1993, more than 100 students from underprivileged 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 provides students with full tertiary bursaries to study at any recognised university within South Africa. These bursaries are 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 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 Masters 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 77 scholarships to previously disadvantaged students through our involvement with the South African Innovative Learning Intervention.

To assist in growing and deepening the investment industry's pool of talent, we created a number of internship programmes within our company and permanent black trainee analyst roles within our investment team. Our intention is to create a skills development pipeline that will nurture talent within our business and the industry as a whole.

We established a successful two-year work experience programme for unemployed graduates in 2012. Four new graduates joined this programme in 2017. Over the past five years, a total of 42 graduates have benefited from our programme.

To further transform the industry through the development of much needed skills, we launched our external intern programme during the course of 2016. This course is run in partnership with two of our suppliers and provides graduate internships for a 12-month period. The programme is aimed at developing specific skills that are in short supply in the marketplace.

Coronation commits extensive resources to **developing communities through improved education and entrepreneurship** (as detailed from → [Page 49](#)). In the past year, more than 14 000 school children benefited from our programmes.

We aim to contain our environmental footprint. We have taken steps to reduce our carbon usage through internal measures and in the way we communicate with clients. In the past year, we stopped providing printed documents at many of our events to cut down on paper wastage. All used paper and toner cartridges are recycled. Where

appropriate, we have introduced e-reporting to clients, which has significantly reduced paper use. We limit air travel and utilise video-conferencing facilities in our Cape Town, Johannesburg, Pretoria, Dublin and London offices. Our Cape Town head office workspace has been greened through the ultra violet treatment of windows and efficient use of lighting. In the past year, we donated marketing material, which has since been recycled into clothing items and bags. We are introducing biodegradable products in our employee restaurant, and all organic waste is collected by a contractor and composted.



#### **CASE STUDY:** **PLANTING TREES**

*In the past year, Coronation planted 1 500 trees nationwide through the Food & Trees for Africa (FTFA) initiative. Some 750 trees were planted in Mahube Valley, Mamelodi, as part of a programme aimed at training and creating temporary employment for 15 community educators in Mamelodi. A further 750 trees were planted in Motherwell, Port Elizabeth and Mfuleni, Cape Town. The trees, a mix of hardy, drought-resistant, indigenous shade trees and fruit trees, were planted at schools, community centres, clinics and in other shared community spaces.*

In everything we do, we  
consider the long-term impact  
of our actions on the wider  
community and the environment.



# RESPONSIBLE INVESTING

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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.

Coronation is committed to the principles of good corporate governance and has a fiduciary duty to our clients to ensure, to the extent possible, that the companies in which we invest on behalf of our clients are also committed to adhering to these same principles. Coronation must determine whether the long-term interests of our 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 our views public, exercising our proxy voting right or through any other means in order to enhance shareholder value.

When we value businesses, we incorporate the sustainability of a business into our assessment of its fair value. 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 an investment.

We take a firm view on all corporate governance issues, which are considered carefully 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.

Where a governance concern arises in an existing investment, appropriate action is taken. The concern is escalated to the chief investment officer to decide the appropriate level of engagement with the investee company. This may include holding meetings with management and/or directors, whereafter we will continue to meet with the company and monitor developments. Should concerns persist, we may seek to intervene more formally through, for example, written letters to the investee company. 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)).

	2017	2016	2015	2014	2013
Total number of meetings*	175	205	250	200	223
Number of resolutions	2 466	2 799	2 347	2 767	2 898
Voted in favour	2 332	2 643	2 223	2 606	2 702
Voted against	115	151	121	157	191
Abstained from voting	19	5	3	4	5

\* AGMs: general and extraordinary general meetings.

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

## 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 the AGM. Over the course of a year, we interact with, and challenge, company management across a variety of issues. During the 2017 financial year, 1 350 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.

# HOW CORONATION CREATES VALUE FOR STAKEHOLDERS

We are focused on achieving the best possible investment returns for our clients, which in turn creates value for our other stakeholders – including shareholders, regulators and government, communities and our people. The following diagram provides a summary of how we create value for stakeholders.

## STAKEHOLDER NEEDS

### CLIENTS

- Strong long-term investment performance
- Appropriate and relevant product offering
- Competitive and transparent fees
- Excellent client service
- Information and investment security

### SHAREHOLDERS

- Ethical and sustainable business model
- Return on investment
- Transparent reporting

### GOVERNMENT AND REGULATORS

- Compliance with regulations
- Transparent and proactive engagement with regulators and policymakers

### COMMUNITIES

- High-quality education
- Economic development and upliftment

### OUR PEOPLE

- Sustainable employment
- Recognition and reward of excellence
- Development and career growth
- Commitment to transformation

## CORONATION INPUTS

### INTELLECTUAL CAPITAL

#### HIGHLY SKILLED WORKFORCE:

**56%**  
*of our people are professionally qualified and specialists, a further*

**41%**  
*are academically qualified and skilled.*

**67**

*investment professionals have an average of 13 years' investment experience.*

### HUMAN CAPITAL

**302**

*Employees*

- Strong ethical culture of excellence
- Seasoned and well-respected leadership team

### FINANCIAL CAPITAL

#### REGULATORY CAPITAL

**R513m**

**R123m**

*Investment in information systems and other projects*

**R19.5m**

*Spent on training*

### SOCIAL AND RELATIONSHIP CAPITAL

- Leveraging off a leading brand in asset management
- Performance and service excellence
- Ongoing investment in education and entrepreneurship
- Corporate citizenship

## HOW CORONATION CREATES VALUE

We invest clients' savings to deliver strong long-term growth. All investments are made according to Coronation's investment philosophy:

*We invest for the long term in assets that are trading below our assessment of their real long-term value, based on our own exhaustive research to identify opportunities.*

## KEY RISKS AND CHALLENGES MANAGED

Difficult market environment which creates extraordinary local and global uncertainty.

→ Key risks as detailed in the risk table on pages 90 to 93

## HOW WE ENSURE VALUE CREATION FOR STAKEHOLDERS



### CLIENTS

Consistent execution of investment philosophy. Regular fee and benchmark reviews. Achieving rigorous client service targets. Continuous enhancement of client platforms and correspondence. World-class security measures.



### SHAREHOLDERS

Achieving strategic objectives to create a world-class asset management company. Consistent and sustainable operational performance and cost control. Stable investment team. Robust governance structures. Timely reporting and commentary. Regular dividend distribution.



### GOVERNMENT AND REGULATORS

Detailed compliance universe and monitoring plans. Continuous engagement with regulators to achieve a safer financial sector.



### COMMUNITIES

Strong focus on real outcomes to improve education and community development. Bursary and internship programme.



### OUR PEOPLE

Training and development. Coaching and mentoring. Performance-based remuneration. Employee ownership and empowerment.

## VALUE CREATED FOR STAKEHOLDERS IN 2017



### CLIENTS → See page 36

- Strong long-term investment performance across portfolios. 98.9%\* of institutional and retail portfolios outperformed their respective benchmarks, when measured from inception to date
- Reduced fees announced on a number of products
- The fee structure on some products was simplified
- Adoption of Effective Annual Cost (EAC) model (total investor holding cost disclosure) and the provision of full portfolio transaction costs to improve transparency
- More detailed breakdown of fees and charges that comprise the total investment charge
- Client security has been improved with a number of measures, including the roll-out of voice biometrics
- Investment strategies that were closed in 2012 were opened to new institutional clients



### SHAREHOLDERS → See page 44

- Solid operational performance: Assets under management up 2.5% to R614 billion and headline earnings of R1.53bn
- Decline of 4.2% in total expenses
- Dividend policy to distribute at least 75% of after-tax cash profit maintained
- No turnover of senior employees and stable employee turnover ratio
- Increased engagement with shareholders



### GOVERNMENT AND REGULATORS → See page 47

- No regulatory fines or sanctions received
- Successful on-site assessment conducted by the Financial Services Board and the Financial Intelligence Centre. No material finding raised



### COMMUNITIES → See page 48

- Coronation's mathematics and literacy programmes benefited more than 14 000 children in the past year
- Increased allocations to programmes supporting job creation, education and skills development



### OUR PEOPLE → See page 57

- Sustainable employment
- Recognition and reward of excellence → See page 59 to 60
- Skills development and educational support → See pages 60 to 61
- Commitment to transformation and diversity → See page 58 to 59

\* Asset-weighted portfolios that have been invested with us for more than 10 years.



## HOW CORONATION CREATES VALUE FOR CLIENTS

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*Our key focus is on long-term investment outperformance.*

All our employees commit to the

### *Coronation client charter:*

- 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

Without clients, we have no business. As an independent asset manager with no tied assets, we are conscious of the fact that assets under our management can leave us on 24 hours' notice. Putting clients' needs first is key to our survival as a business.

Coronation has two primary client markets – institutional clients (South Africa and international) and personal investors (South Africa only). We aim to meet all client needs by delivering strong long-term investment returns and excellent client service, with a commitment to:

### **No window dressing of returns:**

- Institutional and retail clients are treated equally
- We were the first asset manager in South Africa to comply with the Global Investment Performance Standards, a set of ethical standards for investment managers

### **Appropriate products:**

- We offer a complete institutional offering across asset classes and geographies
- Our focused range of domestic and international unit trust funds is grouped by investor need

### **A highly skilled and stable investment team:**

- We have one of the biggest and most stable investment teams in South Africa
- On average, team members have 13 years' investment experience
- Three former chief investment officers still actively manage money



## *How we deliver investment outperformance*

For almost a quarter of a century, Coronation has invested its clients' savings according to the same disciplined philosophy:

- ▶ We take a long-term view when we value an investment opportunity. We ignore short-term movements and sentiment; we look at the true prospects for a business over the next five to 10 years.
- ▶ Our own, unique research determines what a share is worth (its fair value). We will only invest if we think the current price is sufficiently below this level, thereby offering a significant margin of safety. Our investment analysis is based on our own detailed financial modelling. We take environmental, social and governance considerations into account as we build an investment case (→ *refer to pages 32 – 33* for more information).
- ▶ We carefully consider risk in our valuations, and diversify our investment portfolios across sectors, industries, regions and currencies. We will not allow a portfolio to hinge on a single view, no matter how much we believe in it. Our focus remains on building diversified portfolios of undervalued assets that can withstand shocks.
- ▶ We believe in a team-based approach. Our investment team of 67 professionals – covering the South African and global

markets – sit together in a single, open-plan office. Decisions are therefore not made in a vacuum – our team interacts and exchanges investment information constantly. Our analysts and fund managers are allocated a wide range of investments across different industries and countries. They can therefore 'price profit and risk' across asset classes, sectors and geographies. We believe this broader perspective builds better investors, drives more robust debate and results in stronger investment decisions.

We know that all clients are different, each with differing risk budgets and return targets. This is why we offer a complete fund range that includes building blocks (single asset class) and multi-asset funds. In this way, clients are empowered to select the fund that best meets their needs at a specific point in time. All clients receive the same investment outcomes – no matter their size, or whether they invested directly with Coronation, or through their retirement fund or intermediaries.

In our pursuit of generating long-term outperformance, we are fortunate that the majority of our clients understand this may, from time to time, 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 24-year history. We therefore know that they are an important part of our compelling and proven long-term investment track record.

Institutional clients

We are one of the largest managers of institutional assets in South Africa. Our clients include pension and provident funds, medical schemes, major banking and insurance groups, as well as other asset managers, through their multi-manager offerings. Distribution is conducted primarily through investment consultants, multi-managers and umbrella funds. We also manage assets for a growing number of international retirement funds, endowments and family offices.

Our institutional products cover all asset classes across a number of geographies in both segregated and pooled mandates:

Investment strategies

<b>SOUTH AFRICA</b>		<b>GLOBAL</b>	
Specialist Equity		Specialist Equity	
Specialist Fixed Income		Global Diversified Growth	
Global Multi-Asset		Global Capital Preserver	
Domestic Multi-Asset			
<b>HEDGE FUNDS</b>	Equity	<b>FRONTIER MARKETS</b>	
	Fixed Interest	Africa Frontiers (Excluding South Africa)	
	Multi-Strategy	All Africa	
		Global Frontiers	
<b>GLOBAL EMERGING MARKETS</b>			
Equity Long Only			
Equity Hedge			

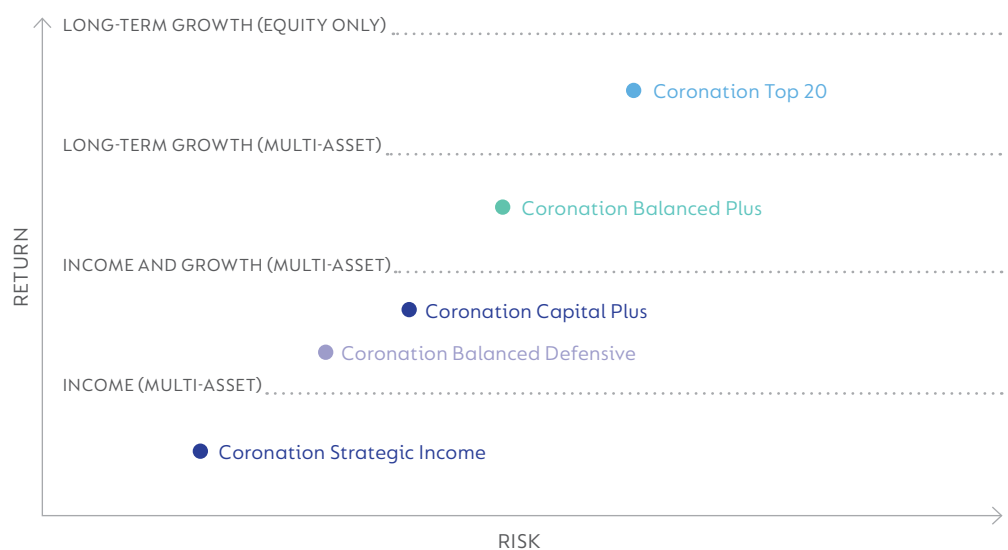
## Personal investment clients

Our unit trust management company is one of the foremost managers of long-term assets in the South African collective investment schemes industry.

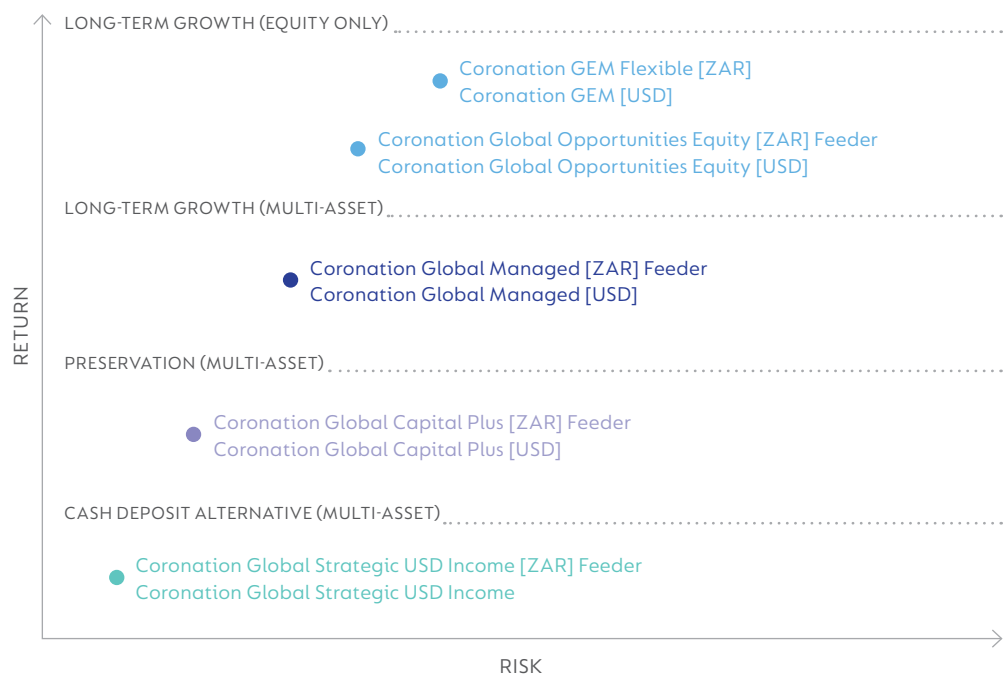
We offer a comprehensive product range, including specialist funds, individual retirement and life products, and tax-free investments. All funds are directly available from Coronation. We also distribute through the non-affiliated channels of discretionary managers, independent financial advisers and third-party linked investment service providers. We focus solely on investment management; we are not involved in 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*



## Engaging with our clients

### Institutional

Coronation's dedicated client relationship managers and fund managers attend to client requests. These managers have frequent investment report-backs and meetings with clients. We release monthly and quarterly reports on our investment portfolios.

### Personal investments

A team of client service professionals responds to all client queries in accordance with strictly monitored turnaround times. All client-facing employees undergo intensive product and compliance training, and we offer programmes to improve communication skills. Financial advisers are supported by Coronation investment specialists. Clients and advisers receive regular communication covering a range of investment-related topics. This includes market insights and regulatory updates. In addition, our company website provides extensive product information. We host comprehensive roadshows, meetings and presentations throughout the course of the year, and conduct focused research via multiple customer touchpoints.

## 2017 outcomes for clients

In the past year, we believe we added significant value to our clients through a focus on:



LONG-TERM  
INVESTMENT  
PERFORMANCE



CLIENT  
SERVICE



FAIR FEES



APPROPRIATE  
PRODUCTS



REOPENING OF  
STRATEGIES



### Long-term investment performance

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

#### Institutional performance – South African portfolios

SOUTH AFRICAN SPECIALIST EQUITY	ANNUALISED RETURN	ACTIVE RETURN
<b>CORONATION HOUSEVIEW EQUITY</b> <i>Since inception in October 1993</i>	<b>17.5%</b>	<b>2.7% p.a.</b>
<b>CORONATION AGGRESSIVE EQUITY</b> <i>Since launch in February 2002</i>	<b>18.0%</b>	<b>2.7% p.a.</b>
DOMESTIC MULTI-ASSET	ANNUALISED RETURN	ACTIVE/REAL RETURN
<b>CORONATION GLOBAL HOUSEVIEW</b> <i>Since launch in October 1993</i>	<b>16.5%</b>	<b>10.1% p.a.</b> <i>Real (after-inflation) return</i>
<b>CORONATION MANAGED</b> <i>Since launch in May 1996</i>	<b>16.9%</b>	<b>10.5% p.a.</b> <i>Real (after-inflation) return</i>
SOUTH AFRICAN SPECIALIST FIXED INCOME	ANNUALISED RETURN	ACTIVE RETURN
<b>CORONATION STRATEGIC BOND</b> <i>Since inception in January 2008</i>	<b>10.0%</b>	<b>1.5% p.a.</b> <i>Outperforming the BEASSA All Bond Index by 1.5% p.a.</i>
<b>CORONATION ACTIVE BOND</b> <i>Since launch in July 2000</i>	<b>11.6%</b>	<b>0.9% p.a.</b>

## Institutional performance – global portfolios

GLOBAL PORTFOLIOS	ANNUALISED RETURN (IN USD)	ACTIVE/REAL RETURN
<b>CORONATION GLOBAL EMERGING MARKETS EQUITY STRATEGY</b> <i>Since inception in July 2008 (in USD)</i>	<b>8.5%</b>	<b>5.3%</b>
<b>CORONATION AFRICA FRONTIERS</b> <i>Since inception in October 2008 (in USD)</i>	<b>9.3%</b>	<b>8.8%</b> <i>Number one in its global peer group</i>
<b>CORONATION GLOBAL EQUITY FUND OF FUNDS</b> <i>Since inception in July 2000 (in USD)</i>	<b>6.7%</b>	<b>2.0%</b>
<b>CORONATION GLOBAL MANAGED STRATEGY</b> <i>Since inception in November 2009 (in USD)</i>	<b>9.3%</b>	<b>7.6%</b> <i>real return</i>

All institution performance returns are stated gross of fees as at 30 September 2017.

## Unit trust performance – domestic and international funds

FUND NAME	ANNUALISED RETURN	FUND HIGHLIGHT
<b>CORONATION TOP 20<sup>1</sup></b> <i>Since inception in October 2000</i>	<b>19.2%</b> <i>4.5% p.a. alpha</i>	<i>A top quartile performer since inception</i>
<b>CORONATION BALANCED PLUS<sup>1</sup></b> <i>Since inception in April 1996</i>	<b>15.2%</b> <i>8.8% p.a. real return</i>	<i>The number one balanced fund in South Africa since inception</i>
<b>CORONATION CAPITAL PLUS<sup>1</sup></b> <i>Since inception in July 2001</i>	<b>12.8%</b> <i>6.8% p.a. real return</i>	<i>The number one multi-asset medium equity fund in South Africa since inception</i>
<b>CORONATION BALANCED DEFENSIVE<sup>1</sup></b> <i>Since inception in February 2007</i>	<b>10.2%</b> <i>4.0% p.a. real return</i>	<i>A top-performing conservative fund since inception</i>
<b>CORONATION STRATEGIC INCOME<sup>1</sup></b> <i>Since inception in July 2001</i>	<b>10.5%</b> <i>2.7% p.a. ahead of cash</i>	<i>The number one multi-asset income fund in South Africa since inception</i>
<b>CORONATION GLOBAL OPPORTUNITIES EQUITY [ZAR] FEEDER<sup>2</sup></b> <i>Since inception in August 1997</i>	<b>6.9%</b> <i>0.9% p.a. alpha</i>	<i>Outperformed the global equity market by 1.09% per annum over more than two decades</i>
<b>CORONATION GLOBAL MANAGED [ZAR] FEEDER<sup>2</sup></b> <i>Since inception in October 2009</i>	<b>7.5%</b> <i>0.5% p.a. alpha</i>	<i>The number one global multi- asset high-equity fund in South Africa since inception</i>

<sup>1</sup> Rand returns

<sup>2</sup> US dollar returns

All performance returns are stated net of fees for the respective retail classes as at 30 September 2017. For the highest and lowest actual and annual figures, refer to the respective funds' comprehensive fact sheet available on [www.coronation.com](http://www.coronation.com).



## Client service

We aim to provide excellent service to all our clients.

Over the past year, we measured client experience through ongoing surveys among our direct investors, and an annual qualitative research survey among financial advisers.

### ON AVERAGE

# 92%

of all client calls  
answered within  
30 seconds

# 98%

of clients rate Coronation  
consultants as professional  
and well-informed

We also launched a new survey among Coronation clients, and received almost 7 000 responses. It found that:

- ▶ 90% of clients are happy (or very happy) with their investment performance
- ▶ More than 90% of clients rate our online services as good (or excellent)
- ▶ 97% of clients found it easy (or very easy) to transact
- ▶ 98% of clients found it easy (or very easy) to start investing

We maintain a complaints policy, and have established systems and procedures to identify, investigate and resolve any client complaints.

## Client communication

We provide our clients with regular investment information, including through our quarterly *Corospondent* newsletter, which is distributed to both clients and advisers. Our Conversations with Coronation presentation series continues to enjoy strong support from the professional adviser market, once again attracting a large number of attendees in 2017. The presentations also form part of advisers' Continued Professional Development training. Additional channels of communication include our coroconnect adviser information portal.



## Fair fees

We have shown over the years, time and time again, that we value our investment track record far more than our profitability or our market share. Every decision we make is driven by the sincere desire to deliver the best possible investment outcome for our clients. The latest fee reductions should confirm this commitment.

As part of Coronation's commitment to ensure the best outcome for clients, we continually review the fees on our products to make sure they reflect market conditions and offer compelling value to clients.

*This year, we  
again announced  
meaningful fee  
reductions across  
many of our  
top-performing  
products.*

In recent years, we lowered fees on a number of our institutional and retail products.

We conducted a major unit trust fee review in 2015 that affected most of our funds. The key aim was to simplify and standardise our fee approach. We introduced pioneering performance-related fee structures for our equity-biased funds, as well as fixed fees for all lower and moderate risk multi-asset funds.

The past year was the first full year during which this lower fee structure was in place, resulting in meaningful fee reductions for clients.

## New fee changes announced

In our institutional portfolios, we cut fees by up to 15 basis points on many actively managed equity and multi-asset class strategies. This includes our successful Global Emerging Markets Equity strategy, which has delivered outstanding returns since inception.

In addition, base fees on our performance fee options were reduced in line with fees on available passive solutions. We believe that this is a powerful move that offers investors only upside in terms of the costs they pay for our products. We only earn higher fees if and when we outperform.

Coronation also took the bold step of capping the annual performance fee on hedge fund portfolios – making us a global pioneer in an industry that has traditionally never capped fees. Coronation has always been outside the norm by charging a performance-fee only, above the risk-free cash rate (many hedge funds charge fees over zero).

We also announced further fee cuts to our income-and-growth and international unit trusts. All our flagship multi-asset funds will charge the same fixed fee for direct retail investors. This is the fee currently charged by our largest fund, Coronation Balanced Plus. Charging one fee rate for these funds makes it easier for investors to focus on optimising their long-term investment outcomes by remaining in the fund most appropriate to their needs.

*A growing global franchise.*

Coronation has made significant progress in attracting allocations from large global investors, including leading international retirement funds. As our international business continues to grow, we can share some of the scale benefits with all clients through lower fund management and administration charges in our global funds.

We have made changes to the way we disclose unit trust fees. We show both one- and three-year total expense ratios on our fact sheets, and provide more information on the component costs that make up fund expenses. Existing investors can now obtain an effective annual cost disclosure for their specific fund selection via the Coronation online platform.



### Appropriate products

Coronation's product range is reviewed periodically to ensure it is suited to investors' needs. We only develop new products when we believe that a new mandate can sustainably meet a clearly defined investor need, or in areas where we have adequate capacity, resources and expertise to deliver competitive results over meaningful periods.

We believe that we currently offer a complete institutional offering across asset classes and geographies, and our focused range of domestic and international unit trusts is suitable for most investor needs.



### Reopening of strategies

Coronation is not an asset gatherer; we put our clients first. This was demonstrated in 2012, when we took a bold step to close our most popular institutional portfolios to new investors.

After unprecedented inflows into our institutional South Africa Equity products and our Balanced and Absolute Return range, we decided to close these funds to protect our ability to deliver long-term investment outperformance. At the time, the funds represented more than 80% of our institutional assets.

*Putting clients first.*

*The lengthy closure shows we are prepared to make difficult decisions to protect our clients' interests.*

It was always our intention to reopen these strategies in due course given the shrinking institutional savings pool in South Africa and anticipated outflows. In recent years, we have seen these expected outflows materialise. Careful consideration of the capacity this has created, together with our assessment of market conditions and our five-year forecast of industry trends, has enabled us to reopen the strategies in the past year.

We prepared carefully to ensure that the reopening of these funds will benefit all clients, existing and new. We were encouraged by our clients' response to the reopening.

### Outlook

Our main focus remains on delivering investment excellence. This will continue to be our goal, and we will seek to build on our current outperformance by adhering to our strict investment philosophy and maintaining a stable investment team.

Clients in a wide range of Coronation portfolios continue to benefit from lowered fees. We will review our fee structure to ensure compelling outcomes.

In the next year, we will continue to enhance our client service as we implement our new investment administration model. As part of the new model, we will consolidate our administration services across our local and offshore products under a single service provider. Currently, we have different administrators for South African and offshore products. We believe that consistent administration services across all products, both local and global, will help to maintain our world-class service.

We expect that the new model will be implemented by the third quarter of 2018, and that it should result in a more consistent and enhanced client service.

## HOW CORONATION CREATES VALUE FOR SHAREHOLDERS

We aim to create sustainable value for shareholders by:

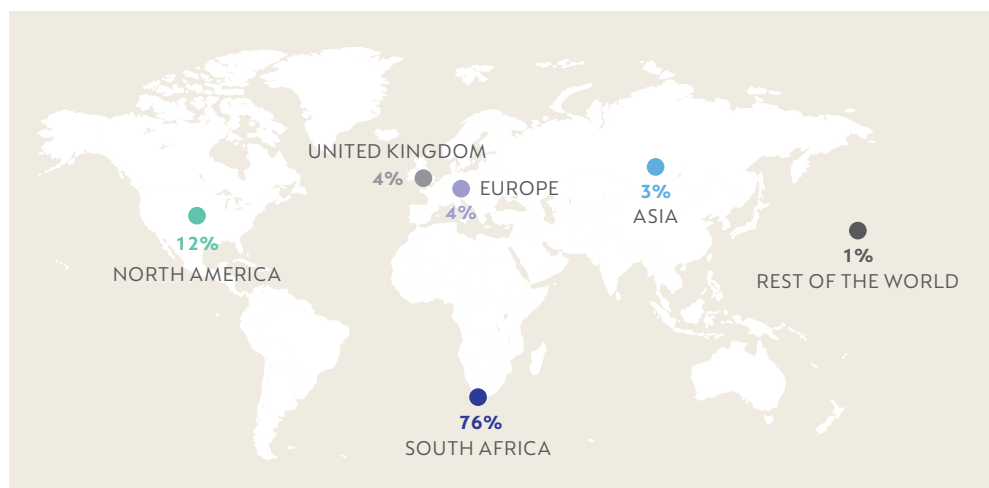
- delivering consistent operational and financial performance;
- adhering to the highest corporate governance requirements;
- maintaining significant distributions of free cash flow; and
- continual engagement with shareholders.

It is important for shareholders to understand that Coronation is not a growth business. We always put the needs of clients first, and we

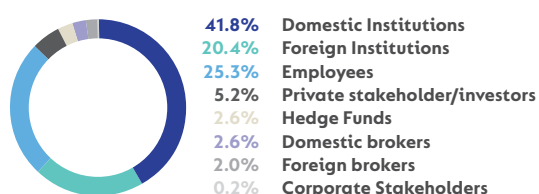
are not asset gatherers. Our business is cyclical, and revenue is geared to market returns and the outperformance we generate on behalf of clients.

Fundamentally, we are a cash-generative business, with regular and significant distributions of free cash flow generated paid out to shareholders. This 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.

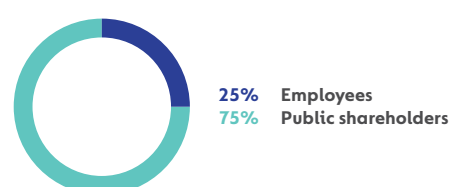
### GEOGRAPHICAL DISPERSION OF OUR SHAREHOLDERS



### INVESTOR TYPE



### EMPLOYEE VS PUBLIC SHAREHOLDERS





## Shareholder analysis

DISTRIBUTION OF SHAREHOLDERS	NUMBER OF SHAREHOLDERS	%	NUMBER OF SHARES '000	%
Banks	76	0.47	12 564	3.59
Brokers	56	0.34	22 632	6.47
Close corporations	81	0.50	411	0.12
Endowment funds	16	0.10	437	0.12
Individuals	12 567	77.38	36 282	10.37
Insurance companies	109	0.67	4 906	1.40
Medical aid schemes	39	0.24	664	0.19
Mutual funds	699	4.30	94 279	26.95
Nominees and trusts	1 679	10.34	10 055	2.88
Other corporations	24	0.15	2 029	0.58
Pension funds	359	2.21	57 685	16.49
Private companies	304	1.87	2 655	0.76
Employee holdings	183	1.13	88 350	25.26
Sovereign wealth funds	49	0.30	16 850	4.82
	16 241	100.00	344 799	100.00

PUBLIC/NON-PUBLIC SHAREHOLDERS	NUMBER OF SHAREHOLDERS	%	NUMBER OF SHARES '000	%
<b>Non-public shareholders</b>				
	183	1.13	88 350	25.26
Directors*	5	0.03	6 139	4.81
Shares held by employees	178	1.10	82 211	20.45
<b>Public shareholders</b>				
	16 058	98.87	261 449	74.74
	16 241	100.00	349 799	100.00

\* Includes directors of subsidiary companies.

GEOGRAPHICAL OWNERSHIP	NUMBER OF SHAREHOLDERS	%	NUMBER OF SHARES '000	%
South Africa	15 762	97.05	264 888	75.73
International	479	2.95	84 911	24.27
	16 241	100.00	349 799	100.00

## Shareholder engagement

Coronation's chief executive officer (CEO) and chief financial officer (CFO), as well as other board members, engage with shareholders, to garner their views and maintain strong relationships.

We distribute information on financial results and other company updates through various channels (including our website). Great care is taken to ensure that critical updates reach shareholders simultaneously. Following the release of our interim and annual results, the CEO and CFO host conference calls with analysts and shareholders, as well as one-on-one meetings.

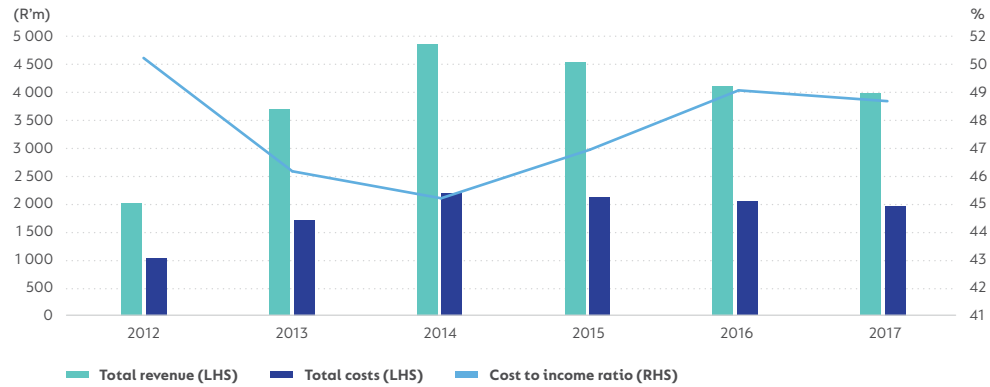
Coronation enjoys high levels of shareholder participation. At our 2017 annual general meeting, shareholders and proxies representing 81% of our authorised shares in issue took part in the shareholder vote. Shareholders are encouraged to engage with management and board members at the annual meeting.

## 2017 outcomes for shareholders

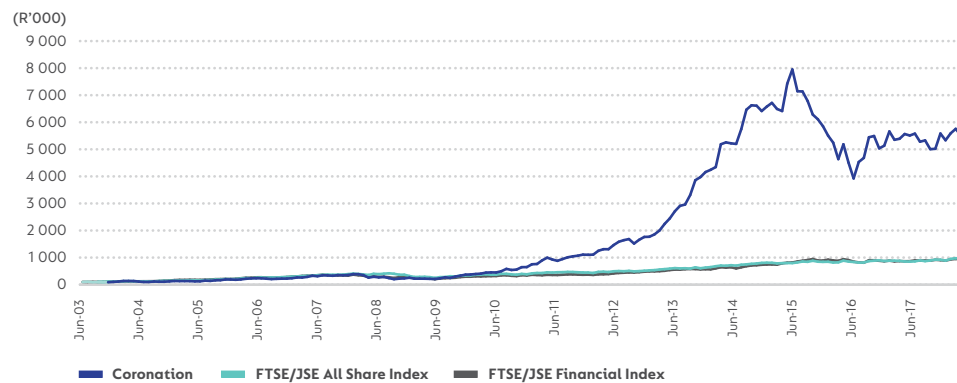
### Financial and operational performance

Coronation delivered a stable financial performance in the past year. While its revenue declined 3.1% to R3.9 billion, its variable cost model again protected shareholders. A large part of Coronation's variable costs track profit and assets under management.

**VARIABLE COST MODEL CONTINUES TO CONTRIBUTE TO EFFECTIVE MANAGEMENT OF TOTAL COSTS**  
PROTECTS SHAREHOLDERS IN DOWN YEARS



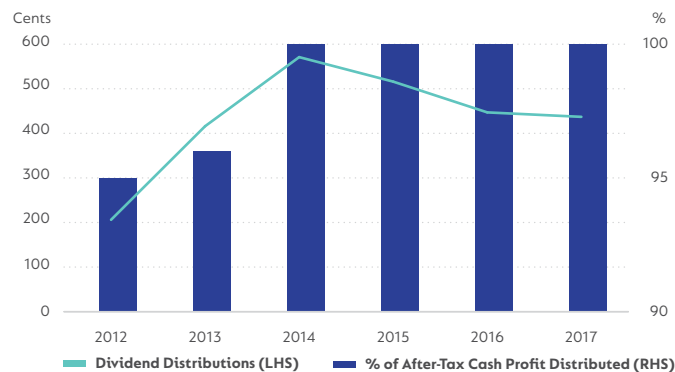
**SHARE PERFORMANCE VS FTSE/JSE ALL SHARE AND FTSE/JSE FINANCIAL**  
GROWTH OF R100 000 INVESTED SINCE CORONATION'S LISTING IN 2003



### Dividend policy maintained

We continue to reward shareholders through regular and significant distributions of free cash flow generated. We endeavour to distribute at least 75% of after-tax cash profit. Assessing projected future cash requirements, we paid out almost 100% of after-tax cash profit in the past year.

**437 cents**  
DIVIDEND  
DISTRIBUTIONS  
PER SHARE  
*447 cents in 2016*



## HOW CORONATION CREATES VALUE FOR GOVERNMENT AND REGULATORY BODIES

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→ For a detailed report on our Compliance approach and activities in the past year, see page 94 to 95.

We aim to engage government and regulatory bodies in a proactive and meaningful manner. We participate in regulatory discussions to safeguard against unintended outcomes.

We are primarily accountable to and engaged with the following bodies:

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

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. A number of Coronation employees serve on various ASISA board committees, standing committees and working groups, and we have engaged in numerous significant legislative consultations. This includes the Retail Distribution Review, the Financial Intelligence Centre Act Amendment Bill and the Financial Sector Regulation Bill (Twin Peaks), which creates the Prudential Authority (Reserve Bank) and a dedicated market conduct regulator (Financial Sector Conduct Authority).

In line with our offshore fund offering and our strategy to grow our global franchise, we are members of the Investment Company Institute (ICI) and the Alternative Investment Management Association (AIMA). This helps us to remain abreast of international industry and regulatory developments and to adjust our practices and strategy in a timely manner.

### Advancing economic transformation

In line with the agenda of government and regulatory bodies to achieve economic transformation and the development of skills in the asset management industry, Coronation

has pioneered black businesses and supported the transformation of the industry since its inception almost a quarter of a century ago.

### 2017 outcomes

In the past year, Coronation actively contributed to shaping the local regulatory landscape through its participation in industry consultations via ASISA, as well as through direct engagement with regulators.

We consulted on a number of issues, including the new retirement default regulations, which took effect on 1 September 2017. Although the interventions are rigorous, we believe they present a positive contribution that will enable retirement savers to retain the necessary flexibility to achieve the best possible outcomes.

### Outlook

The Financial Sector Regulation Act was signed into law in 2017, introducing the Twin Peaks regulatory model. The new framework of supervision is yet to be released, and Coronation expects to engage with the authorities on this material development throughout 2018. Coronation is also preparing for the implementation of the POPI Act and the FICA Act, among other initiatives.

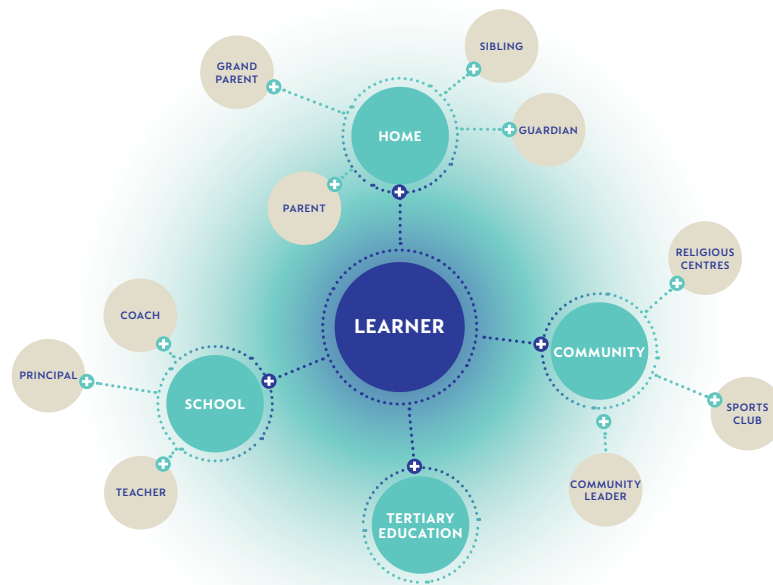
Given its operations in Dublin and London, Coronation closely follows European regulatory developments. In particular, this includes MiFID II, effective January 2018. Coronation conducted an impact assessment on MiFID II, and is well positioned to comply by the end of 2017. Management continues to monitor developments related to Brexit to ascertain the impact on Coronation's offshore regional business.

→ For a full review of our contribution to transformation within financial services, refer to page 28.

## HOW CORONATION CREATES VALUE FOR SOUTH AFRICAN COMMUNITIES

*We believe in education as a powerful force that can break the cycle of poverty.*

Coronation is committed to building a better future for all South Africans. We believe education lies at the heart of this.



*Over the past financial year, our social responsibility investments totalled R19.8 million (2016: R19.8 million).*

### We take a long-term view

At Coronation, our CSI strategy is in line with our **long-term philosophy** of investing: We remain committed to programmes for the long run, and we focus on sustainable, long-term results. We do not believe in piecemeal interventions. Our commitment to social interventions spans no less than three years, and we aim to form long-standing relationships with our CSI partners and in the communities we support.

### We believe in a holistic approach

Providing children with a good education is at the core of all our efforts, but we do not believe children can be supported in isolation:

- ▶ We equip their parents, teachers and principals with the training and tools to ensure better learning.

- ▶ We collaborate with communities to address the ills that affect children, including poverty and unemployment. Our entrepreneurship and small business initiatives are aimed at strengthening households and communities.
- ▶ Increasingly, our different projects integrate their efforts within the same communities, to achieve maximum impact. Children may benefit from more than one of our programmes during the course of their school careers, strengthening their chances of success.

### We are directly involved in all of our projects

We are not chequebook philanthropists. We visit schools, talk to communities and shape projects in response to needs. Employees from across our business are represented in our CSI committee.

## Our key areas of focus:



IMPROVING EDUCATION  
IN SOUTH AFRICA



DEVELOPING SKILLS AND  
SUPPORTING BUSINESSES



HELPING YOUNG SOUTH  
AFRICANS TO REACH THEIR  
POTENTIAL

## Monitoring the outcomes of our programmes

Coronation's social, ethics and transformation (SET) committee meets four times a year and reviews progress reports from our various programmes. Each programme has stated and quantified objectives and desired outcomes, which are measured twice a year.



## IMPROVING EDUCATION IN SOUTH AFRICA



Millions of South African children are not equipped with adequate schooling. This has a devastating impact on their futures, as well as on skills development and sustainable growth in South Africa more broadly:

- ▶ A recent international survey found that 78% of Grade 4 pupils in South Africa could not read for meaning, and were deemed illiterate. South Africa scored last out of 50 countries for reading, according to the Progress in International Reading Literacy Study. The study also found that literacy among the learners deteriorated since 2011.
- ▶ In 2016, South Africa ranked last in the World Economic Forum's (WEF) global assessment of the quality of mathematics and science education for the third year in a row. South Africa also came 137th out of 139 countries in the WEF's ratings of the overall quality of education systems.
- ▶ More than 60% of South Africa's grade 5 pupils lack basic competency in mathematics<sup>1</sup>.
- ▶ Only 34% of students achieve at least a minimum proficiency level in mathematics at the end of lower secondary education<sup>2</sup>.
- ▶ An estimated 5 000 teachers in South Africa are underqualified or not qualified at all.
- ▶ South Africa's public higher education system produces just less than 16 000 of the estimated 25 000 teachers required per year.

<sup>1</sup> Trends in International Mathematics and Science Study (TIMSS).

<sup>2</sup> The latest annual Global Education Monitoring (Gem) Report by UNESCO.

- Only one out of every five students in science, engineering and technology will graduate from South African universities. This is resulting in a large shortage of engineers and artisans in the country. According to one estimate in South Africa, one engineer services 3 166 people, compared to Brazil's 227 and Malaysia's 543 people per engineer.

Coronation believes key to addressing the crisis in education is early intervention in mathematics and literacy. This puts children on a firm trajectory for the rest of their school careers. We have achieved great success with long-term projects that support foundation-phase educators and learners in indigent communities across South Africa. These projects are detailed throughout this section of the report.

## Mathematics

For the past four years, Coronation has supported 779 foundation phase teachers in impoverished communities to strengthen their mathematics knowledge and implement practical teaching strategies.

These teachers received intensive mathematics training through the **Counting with Coronation** project, managed by the Primary Science Programme (PSP). The training programme, which spans a two-year cycle, strengthens teachers' mathematics knowledge and provides them with practical teaching strategies. PSP Mathematics educators also visit schools to provide expert support through team teaching, classroom coaching and mentoring to improve classroom teaching.

With **Counting with Coronation**, we received media coverage as part of a campaign to assist parents with simple interventions to help bolster the mathematics skills of their children.

More than 28 000 learners have benefited from the programme in the past four years.



### CASE STUDY:

#### EMPOWERING SCHOOL GIRLS

*Learners from schools all over Gauteng attended a Coronation Women's Day event in August.*

*The girls were addressed by the US author and leadership expert, Tiffany Dufu. Kirshni Totaram, global head of institutional business at Coronation, assisted the girls with practical tips to manage their finances in future years.*

*In 2017:*

**10 062**  
**LEARNERS**  
**+11%**  
*9 037 in 2016*

**272**  
**EDUCATORS**  
**+8%**  
*252 in 2016*

**20**  
**SCHOOLS**  
**+25%**  
*16 in 2016*

*benefited from  
the Counting  
with Coronation  
programme in the  
past year*



### CASE STUDY: SUPPORTING MATRICULANTS IN MPUMALANGA

Inspired by their hard work and sacrifice, Coronation supported the learners at Moses Mnisi High School in rural Mpumalanga throughout their final exams.

The school has maintained a 100% pass rate over the past 12 years, thanks in large part to its tradition of round-the-clock group studying. This year's Grade 12 learners camped out at the school for weeks, studying day and night and sleeping wherever they could – including the school hall, toilets and classrooms. Coronation provided daily hot meals, mattresses, blankets, toiletries and cleaning supplies. In 2018, Coronation will provide educational support for top-performing students through its CSI partners, among other initiatives.

Since 2010:

**7 027**  
CHILDREN

**394**  
SCHOOLS

In 2017:

**510**  
CHILDREN

**24**  
SCHOOLS

*benefited from the  
Coronation School  
Gardens programme*

### CASE STUDY: CORONATION SCHOOL GARDENS PROGRAMME

Almost two-thirds of South African children live in poverty, with more than one in four households regularly going hungry.

Chronic hunger has a devastating impact on education. Hungry children struggle to concentrate, making learning difficult. Malnutrition also has a negative impact on the brain development of young children, often resulting in lifelong learning problems.

To help address this problem, and to encourage young children to take an interest in the environment and agriculture, the Coronation School Gardens Programme was launched in 2010. The programme teaches primary school learners how to grow their own produce.

Managed by the South African Institute for Entrepreneurship, the project also equips educators and caretakers to support the learners in maintaining school gardens across the country. The gardens deliver produce to school nutrition programmes and feeding schemes.

In 2017:  
**4 230**  
**LEARNERS**  
 +14%  
 3 700 in 2016

**87**  
**EDUCATORS**  
 +58%  
 55 in 2016

**27**  
**SCHOOLS**  
 +23%  
 22 in 2016

*benefited from the  
 Coronation Reading  
 Adventure Rooms  
 programme*

In 2017:  
**10**  
**TEACHERS IN  
 TRAINING**  
 and

**6**  
**SCHOOLS**  
*were funded and  
 supported by  
 Coronation through  
 LEAP*

## Literacy

Since its inception in 2010, thousands of children have benefited from the Coronation Reading Adventure Rooms programme, which helps teachers improve literacy at primary schools.

The teachers receive training, tools, education material and mentorship. The programme's comprehensive literacy curriculum also supplements and integrates with the National Department of Basic Education's Curriculum Assessment Policy Statements. To inspire learners, Coronation transforms classrooms by painting mural landscapes to create a fun and adventure-themed learning environment.

## Teacher and principal training

The LEAP Science and Maths Schools' Future Leaders Programme aims to address the severe shortage of qualified teachers in South Africa. The programme includes practical classroom training, dedicated mentoring and specialised tuition for students studying towards a Bachelor of Education through Unisa.

Coronation is also involved in the Principals' Academy, a three-year programme that equips school principals with the necessary skills to manage and transform their schools. As part of the Principals' Academy, retired school principals provide coaching and mentoring to school leaders. The programme is supported by the UCT Graduate School of Business. Coronation supports two principals who are participating in this project.

## Partners For Possibility

Partners For Possibility is an internationally recognised leadership development initiative. The success of the programme lies in its partnership process, which joins business leaders with principals from under-resourced schools in South Africa. In a year-long journey, the two leaders collaborate to have a sustainable impact on the school community and the quality of education at the school. Coronation employees will mentor principals as part of this new initiative.

## Seeking solutions

In September 2017, Coronation hosted an education conference at its offices in Cape Town. Various stakeholders in the education sector, including representatives from government, business and the non-profit sector, united to take part in this conference. Participants worked on holistic education solutions to pressing issues in South Africa.

*Hopefield Primary:*

**661**  
**LEARNERS**

**21**  
**EDUCATORS**

*Masiphathisane  
 Primary:*

**1 379**  
**LEARNERS**

**43**  
**EDUCATORS**

*benefited from  
 the Principals'  
 Academy  
 programme*





## DEVELOPING SKILLS AND SUPPORTING BUSINESSES



Since inception:

**215**  
**COOPERATIVES**  
*192 in 2016*

and

**5 110**  
**FARMERS**  
*4 909 in 2016*

*have benefited from the  
Coronation Growing  
Entrepreneurs  
Programme*

**92%**  
**OF PARTICIPATING  
COOPERATIVES**

*secured access to  
supply produce to  
community markets*

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.

### Black emerging farmers

Since its launch in 2004, the **Coronation Growing Entrepreneurs Programme** has helped to establish 5 110 small-scale black emerging farmers across South Africa. The programme trains small-scale emerging farmers across South Africa in the areas of good governance, financial management, practical and legal aspects of farming operations, and record-keeping, with the aim of commercialising their efforts into a sustainable business. The programme has resulted in a consistent improvement in expanding market operations and in finding innovative ways to harvest water and manage crops.

### Small business development

As part of the CEO Initiative, Coronation committed R10 million to the **SME Fund**. The fund's core focus is to create jobs by investing in small and medium-sized enterprises (SMEs) that are able to contribute to significant economic growth. The fund will focus on enterprises in key sectors including agriculture and manufacturing. The fund will also establish mentorship programmes for small business owners.

### Financial literacy

Consumer education programmes help participants 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 that are managed by ASISA. We support retirement fund trustee education by sponsoring workshops. In addition, we funded a financial literacy programme targeted at workers in the mining, construction and energy sectors, as well as a similar programme targeted at young adults.

### Black financial advisers

Coronation is a sponsor and funder of ASISA's development programme for independent financial advisers, launched in 2015. The aim of this programme is to provide business development support to independent black financial advisers by equipping them with practical management skills and knowledge. Since the programme's inception in 2015, it has trained 60 black IFA practices and created internship opportunities for 43 individuals.

### Black stockbrokers

We have been allocating a minimum of 10% of our annual South African equity brokerage to a group of small black stockbrokers since 2006. This has helped to create sustainable businesses, and contributed to meaningful transformation in the financial services industry.



## HELPING YOUNG SOUTH AFRICANS TO REACH THEIR POTENTIAL



We believe that the best means to empower young people is to provide them with opportunities to better and further their education. We have numerous programmes aimed at supporting students at a secondary and tertiary level. Further, we provide mentorship and work experience opportunities.

- ▶ **The Coronation Bursary Programme** funds full tertiary bursaries to study at any South African university. Students are supported by trained tutors, matched with a Coronation mentor and given work experience opportunities at Coronation. The programme also provides scholarships to high school students through the South African Innovation Learning Intervention. Since 1993, 101 previously disadvantaged South African students have been awarded study opportunities through the Coronation Bursary Programme.
- ▶ **The Coronation Employee Bursary fund**, which was created in 2007 through voluntary donations made by our employees, grants bursaries for postgraduate degrees.
- ▶ Coronation has provided a number of **high school scholarships** to previously disadvantaged students through our involvement with the South African Innovative Learning Intervention.
- ▶ Currently, Coronation has 12 internal **learnerships** and funds two external learnerships.

- ▶ As part of Coronation's participation in the **Youth Employment Services (YES)** programme, which forms part of the CEO Initiative, we have committed to employ at least 21 young people over the course of the next year.
- ▶ The **Coronation Foundation Trust** provides financial support to a number of worthwhile charitable initiatives including full tertiary education bursaries via the Tertiary School in Business Administration.

### Young Investor Programme

In the past year, Coronation sponsored the recently-launched Young Investor Programme (YIP) at the University of the Western Cape (UWC). YIP provides the opportunity to 'learn by doing' and helps students put their theoretical investment knowledge to practical use. They perform investment exercises that focus on selecting investment opportunities, reviewing financial headlines and conducting company analyses and virtual trading. The students also participate in workshops and have the opportunity to interact with industry professionals.

### Business Development Games

Coronation partnered with the South African Institute of Chartered Accountants (SAICA) to sponsor the 2017 Business Development Games. Some 900 Grade 10 and 11 learners were equipped with business skills as part of the project.

## Future focus

In line with our long-term focus, we remain committed to our key focus areas of education and skills development over the course of the next year. We have planned a number of new initiatives to strengthen outcomes in these areas:

- We are looking to launch an **online learning channel**. Most of our partners have agreed to make their educational content available on this channel to ensure a broader reach.
- We are establishing **a database of all the learners who have participated in our programmes** throughout their learning life cycle. This will create more than just one educational opportunity for individuals who benefit from our programmes, reinforcing our long-term approach to upliftment.
- We have engaged a new financial education partner and plan to launch **a number of exciting programmes** in 2018.
- **Early childhood development:** we are partnering with a well-established organisation to create learning environments for children from birth to the age of six years.

## CASE STUDY: CORONATION'S INTERVENTIONS IN SWELLENDAM

*Coronation has supported the community of Swellendam since our sponsored cycling event, Coronation Double Century (CDC), moved to the town over 10 years ago.*

*Swellendam struggles with high youth employment, which is fuelling crime and drug addiction. The local high schools are reporting significant drop-out levels at local high schools, with around 54% of students starting Grade 8 not finishing matric.*

*Coronation has a holistic approach to solving problems in struggling communities, and we spent time devising an extensive programme of interventions that could assist in addressing these problems. In 2017, we have implemented a number of initiatives including the launch of Coronation Reading Adventure Rooms at two local primary schools and funding tutors at Swellendam High School to assist learners in preparing for their final exams. In addition, we have supported mentorship of local principals.*

Our aim is to build and retain exceptional teams of highly skilled individuals – ensuring the sustainability of our business.



## OUR PEOPLE

**25%**  
**OF CORONATION**  
**IS EMPLOYEE**  
**OWNED**

As an active independent asset manager, Coronation's only asset of significant value is its people. Our business depends on our people's ability to deliver long-term investment outperformance.

Our culture is therefore driven by performance: Coronation is a true meritocracy, where anyone (irrespective of position or title) is recognised for work well done. Our flat hierarchical structure ensures agility, fast decision-making and constant innovation. Dialogue and debate are encouraged, and we have an open-door policy where management is challenged on any aspect of the business.

As we are on 24 hours' notice with our clients, we demand an unwavering commitment to excellence from our employees. All employees are expected to be team players, and are assessed on their individual performance and contribution to the team in which they operate.

Importantly, we believe in a culture of *ownership*: Together, our employees own 25% of Coronation. This empowers our people to feel and behave like long-term owners of the business. Entrepreneurial flair remains a vital component of our cultural DNA.

We are uncompromising about ethics, and we expect our employees to always act with integrity. In everything they do, all employees are required to conduct themselves in accordance with our code of ethics, client charter and our six values (→ *Refer to pages 9 and 36*).

Every year, all our employees are required to pledge that they comply with specific ethical requirements, 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.

### *Our client charter:*

- 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 INVESTMENT  
TEAM:**

**3**  
**FORMER CIOs**  
**STILL ACTIVELY**  
**MANAGING**  
**CLIENTS'**  
**SAVINGS**

**67**  
**INVESTMENT**  
**PROFESSIONALS**  
*66 in 2016*

**13**  
**AVERAGE OF YEARS**  
**IN THE INDUSTRY**  
*8.8 years at Coronation*

## 2017 KEY AREAS OF FOCUS AND OUTCOMES

### Transformation and diversity

Diversity strengthens our business. Through disciplined and determined recruitment, Coronation has achieved meaningful transformation:

As at end-September 2017:

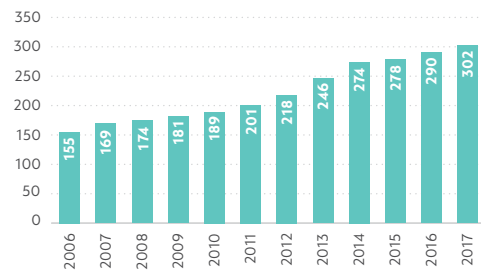
- 54% of our employees are black, of whom more than 60% are black females.
- Our CEO and COO are black, and our global head of institutional business and head of marketing are both black females.
- Within the SA-focused investment team, three out of four leadership roles are black: head of fixed income, head of SA equity and head of SA equity research.
- 43% of our senior portfolio managers in our SA-focused team are black.

*In the past year, 71% of new permanent employees are black.*

We continue to make progress in achieving employment equity, and in 2017, 71% of our new permanent employees are black.

We are excited about the calibre of prospective employees who are currently benefiting from extensive internship and bursary programmes (→ Refer pages 60 and 54 respectively). These employees will strengthen our diversity profile for many years to come.

GROWTH IN OUR EMPLOYEE COMPLEMENT



We are determined to achieve greater black representation among senior management.

#### Promotion of women in the workplace

While the majority of our employees, and a number of senior managers, are female, we believe we can do more to advance women at Coronation.

In the past year, Coronation became a partner of the Lean In Foundation, which was launched by Facebook COO Sheryl Sandberg in 2013. Lean In is an international non-profit organisation that empowers women to achieve their goals in their personal lives and careers.

*Coronation is premised on gender-neutral, race-neutral output.*

*We remain determined to fight biases and equip all our employees with the tools to succeed.*



Our South African employee complement is as follows:

OCCUPATIONAL LEVELS	MALE				FEMALE				FOREIGN NATIONALS		
	A	C	I	W	A	C	I	W	MALE	FEMALE	TOTAL
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	19	6	58	3	17	8	30	5	0	153
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	3	16	7	11	16	43	5	22	1	0	124
Semi-skilled and discretionary decision-making	1	2	0	0	1	4	0	0	0	0	8
Unskilled and defined decision-making	0	0	0	0	0	0		0	0	0	0
<b>Total permanent</b>	11	40	15	77	20	66	14	52	6	0	301
Temporary employees	0	2	0	1	0	0	0	1	0	0	4
<b>Total South African employees</b>	11	42	15	78	20	66	14	53	6	0	305

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

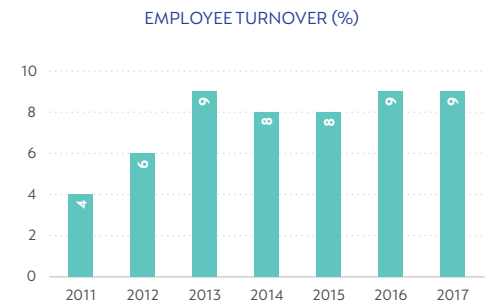
The Employment Equity Act, No. 55 of 1998 stipulates the inclusion of permanent employees (those individuals on contract for more than three months) and the inclusion of temporary employees (less than three months). Of the 305 total complement, 11 are individuals on contract for more than three months and four are temporary employees. Please note that this table reflects South African employees only and does not include Coronation Global Fund Managers (Ireland) Ltd or Coronation International Ltd employees.

## Retaining highly skilled employees

Long-term retention of world-class talent is critical to the success of our business.

Our investment team remains one of the most experienced and stable in the industry. The average tenure in the investment team is nine years, with an average of six years across the business. There was no turnover among senior employees in the past year.

Across the business, employee turnover remained stable. At 9%, it also remains below industry standards. The average tenure of departing employees in 2017 was 4.75 years.



In the past year, we have maintained a number of initiatives to retain and motivate employees:

- As detailed later in this section, our remuneration policy is key to retaining highly skilled employees, and aligning their performance with that of all our stakeholders. The policy is simple and straightforward: Variable remuneration (cash and deferred awards of Coronation

shares and unit trusts, is directly linked to the company's profitability. Unlike many other companies, all employees are eligible to receive these awards – not only senior managers. Further information on our remuneration policy is on → [Pages 66 to 69](#).

- New starters are required to complete *Own it!* – a self-driven online induction programme which acquaints them with the important aspects of our culture, ethics and business. Employees are required to complete the programme with a 100% pass rate within the first two weeks of employment.
- New employees are welcomed through the Ignite Group Coaching programme. Introduced in 2011, the *Ignite* programme is led by an external qualified coach. Employees take part in biweekly two-hour sessions over the course of two months. The programme is aimed at helping new employees deal with the potential challenges of landing and operating in a high performance-driven culture. We believe it has been highly successful in bolstering individual career development and supporting retention.
- Future talent is earmarked for succession planning, and the appropriate retention mechanisms are put in place to ensure a long-term sustainable business.
- We offer individual coaching to employees taking on leadership roles to ensure tailor-made support and development.
- The Coronation Management Think Labs are short training modules that equip new and existing leaders with the skills to manage and retain top talent.
- All managers are given interview skills training, as part of a programme called *Hiring Right!* This high-intensity programme covers real Coronation case studies and focuses on identifying and selecting top talent.
- We regularly review employee notice periods to ensure minimal disruption in the event of resignation and to maintain alignment with dynamics in the market.

## % OF EMPLOYEES WITH EXTENDED NOTICE PERIODS

2017	66%
2016	63%
2015	58%

*Percentages pertain to the total employee complement of the relevant year.*

## Skills development

We strive to create an environment that encourages our employees to challenge themselves and grow. Continuous learning is a key component of our culture.

The business supports appropriate training initiatives by providing financial assistance towards employees' tuition fees for part-time study. We continue to direct a large portion of the company's training spend to black employees.

*In 2017, R7.7 million was allocated to the skills development of black employees (2016: R7 million).*

The Chartered Financial Analyst (CFA) professional credential is highly coveted in our industry. 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.

## Bursaries

We also have a substantial bursary programme (→ [Refer to page 54](#)). This programme 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.

For the 2017 year, we sponsored a total of 16 students from across the country, 9 of whom are black females.



## Mentors

Mentorship is important in the skills development and advancement of all employees.

The Coronation Mentorship Programme enables experienced employees to mentor new employees, and provide guidance on company culture and work processes, as well as industry insight. We currently have 15 active mentors within the business, some of whom focus specifically on mentoring our bursary students.

Employees are encouraged to diversify their skills by exploring new roles and responsibilities within the business. All opportunities at Coronation are posted on both 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.

## Internships

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 2017, four interns were included in the programme which, since inception in 2012, has benefited a total of 42 graduates. Twelve are currently participating in the programme (all of whom are black) and, of the original 42, 14 have been employed in permanent positions within our business (10 of whom are black).

To further transform the financial services 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 54](#)) also plays an integral role in achieving transformation through skills development.

## Future focus

With a record group of new employees joining Coronation at the start of 2018, we will work hard to entrench our culture. We will also maintain our disciplined approach to enhance employment equity.

In 2017, we launched the Coronation Leading Manager programme aimed at developing the skills of new team leaders in the company. Ten new managers will start the course in 2018.

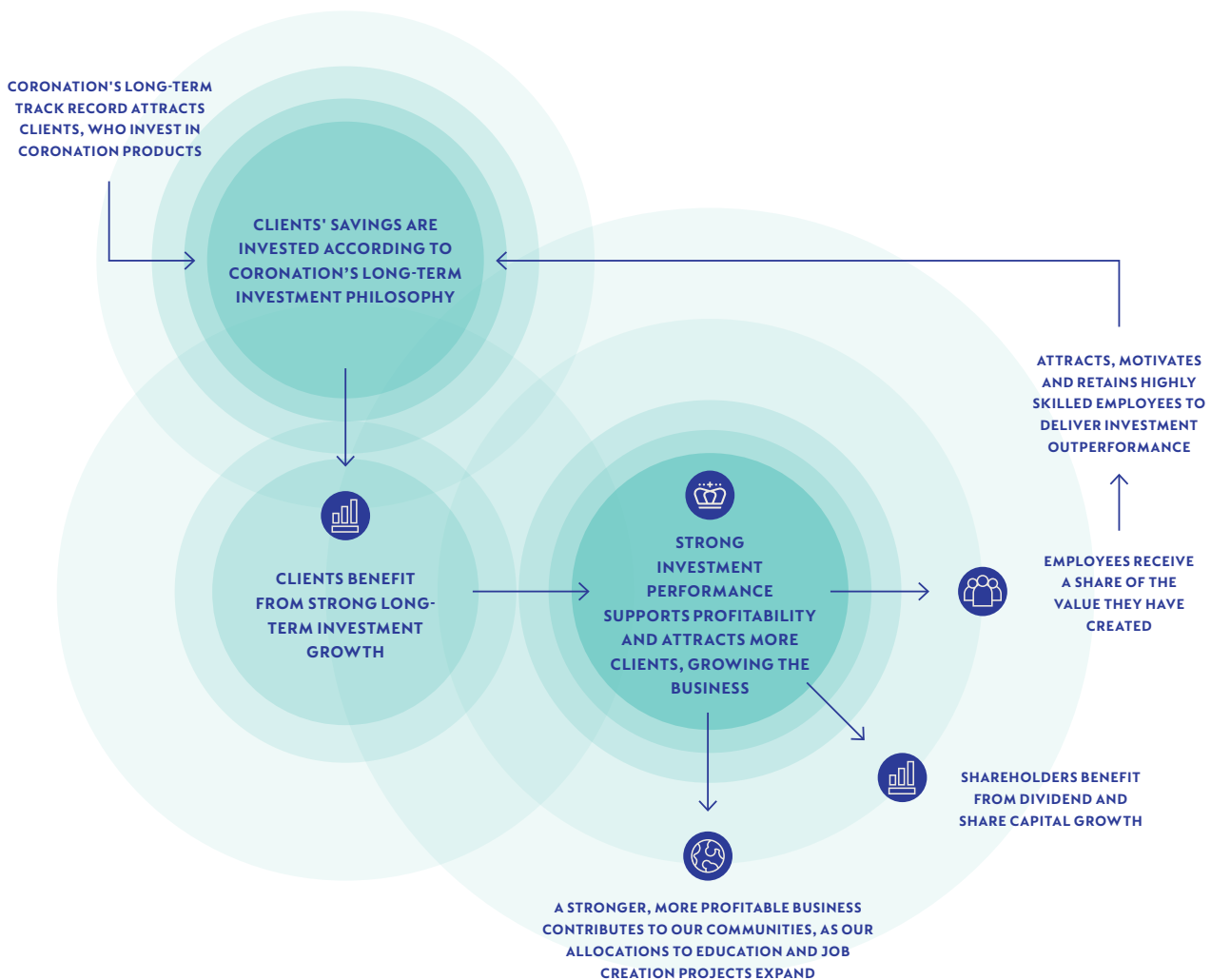
As always we will continue to do our best to attract, retain and motivate highly skilled employees to continue to deliver investment excellence.

## REMUNERATION

When Coronation delivers strong long-term investment performance and excellent service, clients benefit. This stronger investment performance attracts assets and generates earnings, which benefits shareholders. Higher earnings also benefit the community and the broader economy, enabling larger CSI and tax contributions.

Employees' variable remuneration is entirely dependent on Coronation's earnings. As its earnings grow, they share in the value they created. Their long-term remuneration is invested in the CFM Deferred Remuneration Trust, which is allocated to either Coronation shares or Coronation unit trusts, aligning with the interest of clients and shareholders.

### HOW CORONATION'S REMUNERATION POLICY CREATES VALUE



## REMUNERATION COMMITTEE CHAIRMAN'S STATEMENT

Jock McKenzie BSC (CHEM ENG), MA (LANCASTER)



### Introduction

I am pleased to table the remuneration committee report for 2017 on behalf of the remuneration committee.

At Coronation's past annual general meeting, 84.59% of Coronation shareholders voted in favour of its remuneration policy. Notwithstanding this high level of support, we continued to engage both local and international shareholders during the year to establish where our disclosure could be enhanced. Their feedback has been incorporated in our reporting on remuneration, and we believe this year's report is clearer and more transparent. Key changes include more information on key performance indicators (KPIs) and the remuneration allocation process.

From our engagement with shareholders, there is an understanding and broad support for the contractual nature of our remuneration policy. We found that shareholders appreciate that employees are fully aligned with their interests through the remuneration mechanism.

In a highly competitive and uncertain environment, Coronation can only maintain and grow its client base by delivering strong long-term investment returns and excellent client service. The business must retain the best professionals in their field globally, while ensuring their remuneration is aligned with the long-term value created for Coronation's stakeholders.

Coronation aligns these interests through a combination of below-market fixed salaries and variable remuneration (set at a fixed percentage of pre-tax profit). A significant percentage of

the variable remuneration is deferred for senior employees, and will be forfeited if they resign or sell any Coronation shares.

Our remuneration approach has been in place since the start of the business in 1993, and has been critical to its success in establishing one of the most stable and experienced investment teams in the country. The large, diverse group of professionals, which includes three former chief investment officers, has successfully invested clients' savings through many market cycles. This stability and accumulated investment expertise have been critical in delivering strong long-term investment returns.

We believe the current remuneration policy creates value for shareholders, aligns with our primary purpose which is to create long-term value for our clients, is fair and responsible, and complies with good governance principles. It has also enabled the attraction, retention and motivation of employees across the business in 2017. As such, the committee found that the remuneration policy achieved its objectives in the current year and it was implemented without any deviations.

### Remuneration review

In the past year, the economic environment has been challenging, and the 2.3% decline in the company's earnings attests to the depressed state of the savings market and the industry's structural outflows. Despite the difficult environment, Coronation employees made an exceptional contribution in furthering the company's strategy, particularly in expanding the global franchise, producing long-term investment outperformance for clients and enhancing the company's client service, as detailed on the following page.

## CORONATION'S KEY STRATEGIC OBJECTIVES



### Strategy & values

### Operational excellence

### Governance and corporate citizenship

### Stakeholder engagement

## KEY KPIs ACROSS THE COMPANY



Execution of strategy in line with the board mandate.

Entrenching company culture, including ethical values and behaviour.



Delivering sustainable financial performance. Manage risk in all areas of the business.

Achieve operational efficiencies and contain costs.



Complying with all relevant regulatory and corporate governance requirements.

Advancing meaningful economic transformation.

Promoting ethical leadership and good governance in South Africa.



Improving our stakeholder relations and delivering on stakeholder requirements.

## KEY 2017 OUTCOMES FOR THE COMPANY

A detailed review of performance across our fund range over meaningful periods indicated a strong performance.

We manage a combined total of R71bn (2016: R51bn) on behalf of leading international retirement funds, endowments and family offices.

Roll-out of a number of key operational projects to enhance customer relationship and experience.

Stable employee turnover and strong employment equity.

Outperformed on industry benchmarks for cost ratios. Total expenses declined by 4.2%.

Launch of new investment administration model, consolidating global and South African products under one administrator and supporting the creation of a new black-owned transfer agency.

Coronation complied with regulatory requirements across all jurisdictions.

Support of black businesses, including through black stockbroker programme and enterprise development, and creation of a new black-owned business.

→ Refer to page 28

Numeracy and literacy programmes benefited more than 14 000 children in the past year, increased substantially from the previous year.

Increased allocations to programmes supporting job creation, education and skills development.

Engaging with regulators to ensure good outcomes for investors.

Engagement with a large group of shareholders and global voting advisors.

Meaningful engagement with regulators.

Increased surveys to gain feedback from clients.

Employee engagement.

→ Refer to page 34 for detailed information on how Coronation harnesses financial, human, intellectual, and social and relationship capital to create value for its stakeholders.

The remuneration policy succeeded in retaining and motivating highly skilled individuals, who are in demand across the world. Turnover among employees who benefited from the CFM Deferred Remuneration Trust was only 3% in the past financial year. In addition, Coronation succeeded in making a number of valuable appointments, particularly of black professionals. As the company's global reach expands, Coronation is increasingly required to attract and retain highly skilled professionals, who are in demand across the world, to deliver on our international ambitions.

The remuneration policy continues to align employees with long-term outcomes. Vesting periods within the CFM Deferred Remuneration Trust extend to as far as 2022 and a significant number of key employees have restraints of trade and extended notice periods. In 2017, 48% of the variable remuneration was allocated to the long term:

YEAR	% OF VARIABLE REMUNERATION ALLOCATED TO THE LONG TERM*
2017	48
2016	57
2015	55

\* Deferred remuneration, restraints of trade and notice period extensions.

Unlike in many organisations, variable remuneration is not the preserve of senior executives only, but is allocated to all employees of the group. In 2017, 100% of eligible employees received cash variable remuneration, and 50% benefited from deferred variable remuneration (which were invested in Coronation unit trusts) as depicted below:

YEAR	% OF ELIGIBLE CORONATION EMPLOYEES WHO RECEIVE DEFERRED VARIABLE REMUNERATION*
2017	50
2016	43
2015	45

Percentages pertain to total employee complement of the relevant year.

\* Coronation shares and Coronation unit trusts.

Coronation's executive directors have ensured that the business is managed for the long term, and that, notwithstanding the tough economic environment, significant investments were made to benefit all stakeholders. We provide details of executive performance and remuneration on → [pages 71 to 75](#).

The remuneration committee ensures that the remuneration process and the actual remuneration proposed for all levels in the organisation is fair and responsible in the context of overall employee remuneration in the group.

## Conclusion

We have taken great care to ensure that individual employees are rewarded for the value they created for stakeholders in the past year.

I hope you will find that this report provides a clear account of the implementation of the remuneration policy for 2017.

In the year ahead, we will continue to test the remuneration policy against its objectives, and commit to continue engaging with stakeholders as appropriate. At the upcoming annual general meeting, in February 2018, we will put the remuneration policy and implementation report to separate votes.

We believe that shareholders will agree that the remuneration policy creates value and we look forward to your continued support.

### Jock McKenzie

Chairperson: Coronation remuneration committee

# REMUNERATION POLICY

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## Introduction

Our remuneration framework is designed to create value for shareholders, clients, our employees and our community in a manner that is fair and responsible. The remuneration policy plays a critical role in supporting the overall business strategy of encouraging a high-performance, competitive business with a structure that attracts, retains, motivates and rewards high-performance employees.

This section contains a summary of the remuneration policy, which is available in full at [www.coronation.com](http://www.coronation.com). In the past year, the remuneration committee has refined the remuneration policy to include the following elements:

- A separate non-binding vote on both the remuneration policy and implementation report at the annual general meeting.
- A compulsory procedure to engage with shareholders in the event that either the remuneration policy or the implementation report is voted against by shareholders representing 25% or more of the votes exercised.
- Disclosure of any engagement with shareholders pursuant to the above.

## Remuneration philosophy

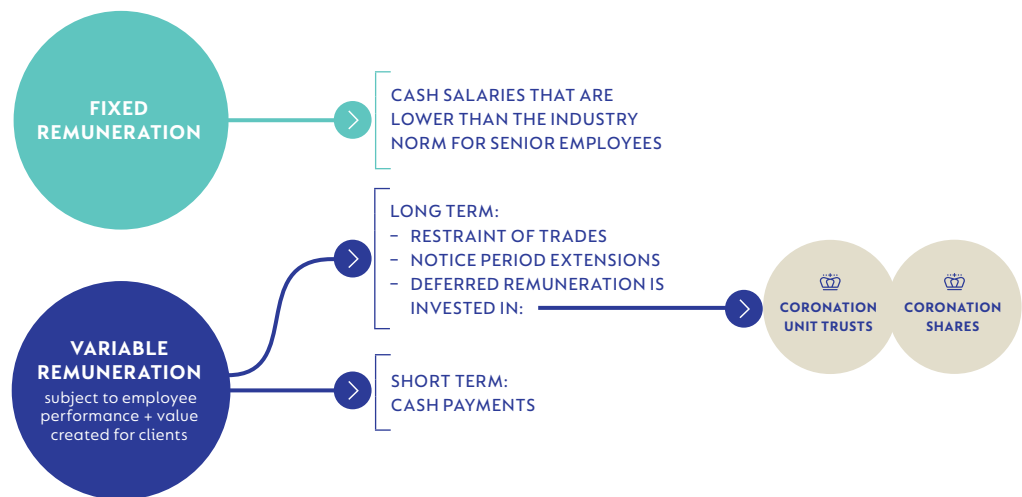
The objectives of the policy remain the following:

- The remuneration process has to motivate employees to achieve the corporate strategy through supporting the Coronation values, specifically:
  - › focusing on long-term outcomes
  - › always putting clients first
  - › creating a culture of ownership
  - › recognising that Coronation is a team-based 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 solely relying on quantitative metrics;
- The rewards for excellent performance should align employees' interests with that of the broader group and its clients;
- 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; and
- 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 principles and structure

Coronation has a very simple remuneration policy to achieve these objectives and to avoid complicated structures that can result in unintended consequences. It applies the principles and practices to all employees, including executives, although the structure and amount of individual packages vary by role, seniority and contribution.



Variable remuneration has been the cornerstone of Coronation's success for almost a quarter of a century. It underpins our values, entrenches an ownership and performance culture and directly aligns employee and shareholder interests. We believe that share option schemes create asymmetrical remuneration outcomes, and as such, the group does not have any share option or phantom share schemes.

Total employee remuneration for all employees consists of fixed and variable (performance-based) remuneration as detailed on the following page.



ELEMENTS	OUTCOMES
<b>Fixed</b> remuneration is determined on a total cost-to-company basis, consisting of a base salary and compulsory benefits.	Fixed remuneration is based on the role and responsibilities of an employee. Senior employees receive fixed remuneration that is well below industry standards. Fixed remuneration for this group is capped to contain fixed costs and to encourage a performance-driven culture. In the case of its most senior employees, the differential is material. Compulsory benefits include retirement provision (including disability plans and death cover) and medical insurance.
<b>Variable</b> remuneration is allocated to all employees according to their contribution. It may include the following:	<p>Variable earnings are directly dependent on the earnings of the company and are paid from an allocation of 30% of audited net profit before taxation of the Coronation group. This allocation is a contractual obligation that is written into our memorandum of incorporation and in employee employment contracts. It was communicated to shareholders in our prospectus on listing in 2003.</p> <p>Variable remuneration is allocated based on an assessment of the employee's performance and contribution to their team and the company. This is determined by holistic performance assessment, which consider both qualitative and quantitative measures.</p>
➤ <b>Cash allocations</b>	Cash allocations represent short-term incentives that are paid in October (60%) and in February the following year (40%).
➤ <b>Restraint and notice period extensions</b>	In certain instances, the remuneration committee deems it necessary to make payments for either notice period extension or restraint payments subject to the requirements of the company.
➤ <b>Deferred remuneration</b>	Deferred remuneration payments are allocated to eligible employees. The deferred remuneration is invested in either Coronation unit trusts or in listed Coronation shares, which are purchased on the market, aligning with the interests of shareholders and clients. The deferred remuneration is administered by the CFM Deferred Remuneration Trust, a fully independent administrative vehicle with an independent board of trustees who ensure that once allocations are made, the rules of the Trust are strictly applied. Deferred remuneration is forfeited if employees resign or sell any Coronation shares.

Coronation does not make termination payments to its employees unless obliged to do so under labour law or if a labour dispute has been settled. In exceptional circumstances, once-off allocations will be made to new employees to cover the cost of relocation or to make good any loss of benefit or obligation that arises from the particular employee's resignation from their previous employer.



## Remuneration governance

The Coronation board has the ultimate responsibility for the governance of the remuneration framework and for setting the direction for how remuneration is approached on a group-wide basis. It ensures that the process that governs the assessment of employees' performance is robust and fair given that this informs the allocation.

The remuneration committee is responsible for key decisions regarding remuneration including the implications for overall risk management. The remuneration committee has full oversight and control of the remuneration policy and practices.

Remuneration allocations are not calculated according to mechanistic and set formulas. We believe this kind of mechanistic measurement can result in unintended consequences. At Coronation, all employees are subject to holistic annual performance assessments which consider both qualitative and quantitative measures, including KPIs. Assessments also balance the performance of the individual with that of the team in which the employee operates and the broader organisation. Management's final recommended allocations in respect of the variable components are submitted to the remuneration committee for consideration and approvals.

Following the committee's approval of deferred remuneration allocations, the underlying investments are proposed to the CFM Deferred Remuneration Trust. The trustees of the CFM Deferred Remuneration Trust are independent of the executive and ensure that, once allocations have been made, the trust rules are strictly applied to all beneficiaries.

## Conclusion

The remuneration policy and the implementation report will be tabled every year at Coronation's annual general meeting for a separate non-binding advisory vote by the shareholders of Coronation. Coronation continuously reviews its remuneration framework to ensure that it supports achieving our strategic objectives and promotes positive long-term outcomes for all stakeholders. As part of this process, Coronation actively seeks out the views of its shareholders where appropriate in relation to its remuneration practices.

## IMPLEMENTATION REPORT

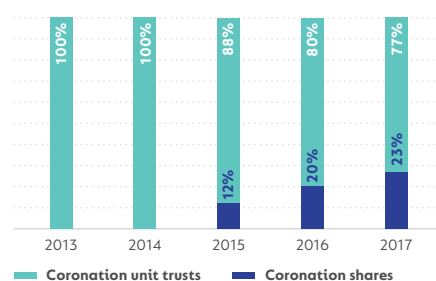
### Introduction

The remuneration committee is responsible for implementing the group's remuneration policy. It is constituted to enable it to exercise competent and independent judgement on remuneration policies and practices.

As outlined, the committee found that the remuneration policy achieved its objectives in the current year and it was implemented without any deviations.

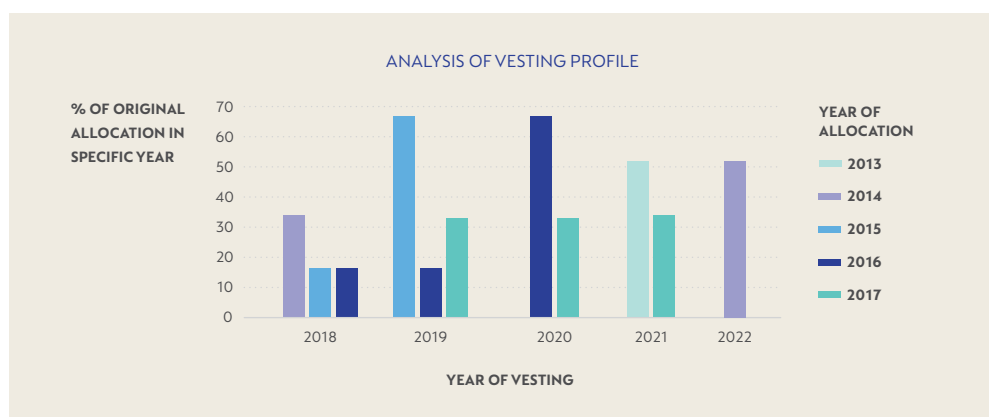
In the past year, 48% of variable remuneration was deferred, and these allocations were vested for periods of one, two and three years. In the current year the deferred remuneration was invested in Coronation unit trusts. In prior years, the deferred remuneration was invested in a combination of Coronation unit trusts and shares, and the proportional breakdown of the total investments held by the CFM Deferred Remuneration Trust is shown below:

INVESTMENTS HELD BY THE CFM DEFERRED REMUNERATION TRUST AS AT 30 SEPTEMBER



### Implementation across the group

On the basis of the contractual 30% allocation from audited net profit before taxation of the Coronation group the amount available for cash allocations and deferred remuneration declined by 3% in 2017.



The current vesting profile of deferred variable remuneration awarded (as a percentage of annual deferred variable remuneration awarded in each respective year), is shown above.

The fixed component of total remuneration increased by 9% to R189 million as a result of inflationary adjustments and new employee appointments. The total employee complement was 302 as at 30 September 2017.

The remuneration committee ensures that the remuneration process and remuneration itself for all employees is fair and responsible in the context of overall employee remuneration in the group.

## Executives

The chief executive officer and chief financial officer are the key individuals responsible for the day-to-day activities of Coronation and exercise general executive control over the business.

The KPIs, detailed on the following pages, are consistent with those applied in 2016, except that certain metrics will have been updated to reflect the evolving group strategy.

Performance objectives that could reveal commercially-sensitive information have not been included, but will be reported once they have been implemented.

A comprehensive evaluation of the executives was undertaken for the 12-month period to end-September 2017 based on an assessment of their performance against the four weighted categories, specific KPIs and a holistic assessment of how these results were achieved.

## The CEO's performance in the year to end-September 2017 was measured against the following KPIs:

### KEY CEO KPIs

#### Strategy & values



- Execution of strategy in line with board mandate
- Long-term investment outperformance across all portfolios
- Growth in global franchise
- Engineer and launch a new investment administration model
- Align employees with Coronation values and strengthening internal culture
- Attract, retain and develop world-class skills

#### Operational excellence



- Sound financial management
- Outperformance of industry benchmarks for cost ratios, including cost-to-income and cost-to-AUM.
- Managing risk and operational efficiencies.
- Increase Coronation brand awareness
- Industry-leading Employment Equity measures and black representation in key leadership roles
- Delivery of a number of key client-focused projects that will enhance client experience

#### Governance and corporate citizenship



- Regulatory compliance across all jurisdictions
- Advancing sustainable economic transformation
- Promoting ethical values and good corporate governance

#### Stakeholder engagement



- Improving our stakeholder relations and delivering on stakeholder requirements.

## ANTON PILLAY

BBusSc, CA(SA), CFA, AMP (Harvard)  
CHIEF EXECUTIVE OFFICER

For the year under review, the assessment of the CEO is summarised below:

### Strategy & values

The CEO is tasked with strengthening Coronation's meritocratic and entrepreneurial culture, especially as the business expands.

A detailed review of performance across our fund range over meaningful periods indicated a strong performance.

A key objective for 2017 was the strengthening of the franchise value of our key global products: Africa Frontiers, Global Frontiers, Emerging Market Equities, Global Multi-Asset Class Funds and Global Equity Funds. The international investment team was expanded and a compelling performance track record was augmented across the fund range. Relationships with asset allocators and clients were strengthened and Coronation attracted R7.4 billion from investors domiciled abroad during the period. Assets from global institutional investors rose from R51 billion in 2016 to R71 billion in 2017.

Coronation embarked on a complex undertaking of establishing a new investment administration model, which will introduce a consolidated service across our local and offshore products under a single provider. The globally distributed operating model will allow for a seamless, stable system, available for at least 21 hours a day. As part of the new administration model, Coronation has also supported the creation of a new black-owned transfer agency business. The CEO has executed the new administration model and has ensured that the transition from the current model has been well managed. In this regard, the necessary regulatory approvals have been obtained, and the commercial and legal requirements have been fulfilled. At the date of this report, all project milestones have been achieved.

In the past year, additional initiatives were introduced to ensure a high-performance working environment that attracts, retains and develops world-class skills. In 2017, Coronation saw no turnover among senior employees, while company-wide turnover remained stable and low. Turnover among employees who benefited from the CFM Deferred Remuneration Trust was limited to 3%. Adequate succession plans are in place.

### Operational excellence

The CEO was ultimately responsible for judicious cost control and sound group financial management. In the past year, Coronation's costs declined and it outperformed on industry benchmarks for cost ratios. Total expenses declined by 4.2%, which is unusual in the South African business environment, and are due in part to the company's variable cost model.

The CEO has oversight of building the Coronation brand, ensuring it becomes a household name in the savings industry. According to commissioned research, Coronation's unaided and aided brand awareness increased and achieved the internal targets on its roadmap to become a leading household brand.

### Governance and corporate citizenship

The CEO is tasked with strengthening an appropriate risk and compliance culture and processes across the group to protect client assets, minimise the risk of reputational damage and financial losses. Coronation complied with regulatory requirements across all jurisdictions.

### Stakeholder engagement

The CEO is accountable for maintaining and strengthening relationships with key stakeholders, while ensuring transparent communication. Coronation has seen a significant

increase in stakeholder engagement and communication. The CEO has met with a large group of shareholders and global voting advisors in the past year. He has also maintained and strengthened relationships with key clients. The past year has also seen meaningful engagement with regulators and industry groups, and the CEO has also engaged at a high level about issues that impact the domestic environment.

## 2017 remuneration against performance

### Performance summary

- Launch of a new investment administration model
- Strong growth in Coronation's global franchise
- No turnover among senior employees
- Stable employee turnover across the business
- Market-leading cost control metrics
- Long-term investment outperformance
- Compliance with regulatory requirements across all jurisdictions.

### Board assessment

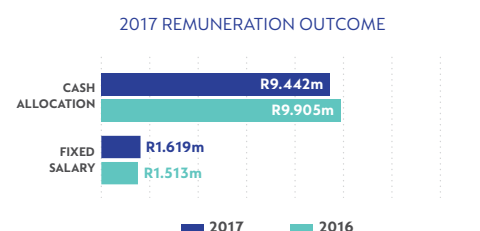
The remuneration committee assessed the CEO as meeting and exceeding most targets for the year under consideration. Overall assessed as an excellent performance in a difficult environment.

### 2017 Remuneration outcome

Assessing the CEO's performance against KPIs and qualitative measures, the remuneration committee decided on an allotment from the variable remuneration allocation. As the executives' award opportunity is directly aligned with the profitability of the company, we believe minimum, on-target and maximum performance outcomes are not applicable.

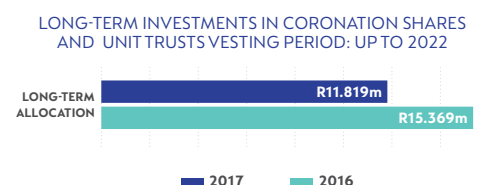
The total allocation for 2017 was adjusted downwards to reflect the reduction in the available cash allocations resulting from the decline in the contractual 30% allocation from audited net

profit before taxation of the Coronation group. In addition, the available allocation was smaller due to an increase in employees and a larger allotment across the company to retain employees whose responsibilities have increased.



In line with Coronation's remuneration policy, which strives to align employees with stakeholder interests, the committee allocated the CEO with a long-term allocation. The allocation is invested in Coronation unit trusts and vesting periods of one, two and three years were applied. The committee believes that the allocation strikes an effective balance between cash and deferred remuneration, and is in line with the business' long-term ethos – all decision-making, both in business and investment management, is made with a long-term view, regardless of any potential short-term benefit.

The variable deferred allocation is subject to a number of conditions, including that the recipient does not sell Coronation shares or leave the company during the vesting periods.



The CEO's shareholding in Coronation's issued share capital is 1.34%. The CEO has not sold any of his shares, ensuring alignment with shareholders and company values. The CEO has a permanent employment contract, with a notice period of 12 months and a 12-month paid restraint of trade.

# JOHN SNALAM

BCom, CTA, CA(SA)

CHIEF FINANCIAL OFFICER

## KEY CFO KPIs

### Strategy & values



- Effective financial operating model and controls, including sound balance sheet management and maintaining required statutory levels of capital and liquidity
- Managing resources within the finance department

### Operational excellence



- Cost control across the business
- A high level of financial reporting
- Maintaining Coronation's policy of low tolerance for any tax risk

### Governance and corporate citizenship



- Appropriate and effective corporate governance and risk management across the company
- Monitoring and reporting on transformation initiatives
- Increased procurement spending with black-owned businesses

### Stakeholder engagement



- Excellent communication with shareholders, analysts, regulators and board of directors

For the year under review, the assessment of the CFO is summarised below:

### Strategy & values

The CFO is responsible for group-wide implementation of an effective financial operating model and controls, including sound balance sheet management and maintaining required statutory levels of capital and liquidity. Unqualified audits were reported and all operating model and controls were intact. All licensed subsidiaries maintained required levels of regulatory capital and liquidity at all times.

The CFO has to ensure that the finance department has the skills and ability to support all financial functions of a JSE-listed and increasingly global group.

### Operational excellence

The CFO has to entrench a proactive focus on controllable costs in the culture of the company. Budgetary process for controllable costs remained

highly detailed and robust. In the past year, regular monitoring of the budget by department resulted in minimal variations from the budget. Coronation outperformed on industry benchmarks for cost ratios.

The CFO is responsible for all financial reporting, including detailed financial reporting produced every month. External financial reporting complied with all regulatory and statutory requirements and a high level of internal and external reporting (including relevant statutory and regulatory reporting) was maintained. Detailed monthly management accounts prepared with additional information included for quarterly board meetings. External reporting is fully compliant with IFRS and regulatory requirements.

The CFO is tasked with managing the group tax affairs. All entities maintained a tax compliance record and Coronation's policy of low tolerance for any tax risk was maintained.

## Governance and corporate citizenship

The CFO is tasked with ensuring an environment of appropriate corporate governance and effective risk management across the company, with specific responsibility for oversight of the company secretarial function. In the past year, Coronation received unqualified audits in respect of compliance with Companies Act and JSE Listings Requirements, as well as compliance with all regulatory requirements across all jurisdictions. The report contains full disclosure of compliance on → [Page 94](#).

The CFO has responsibility for monitoring and reporting on transformation initiatives.

## Stakeholder engagement

The CFO has to ensure excellent communication with shareholders, analysts, regulators and the board of directors. This year, he has had bi-annual one-on-one interactions with investors, as well as regular and open communication with analysts and interaction with the board and regulators.

## 2017 remuneration against performance

### Performance summary

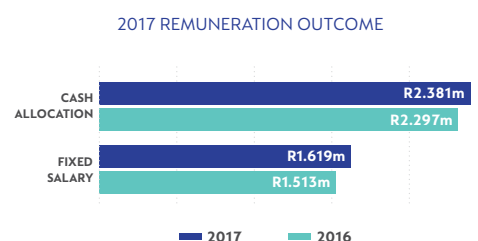
- Unqualified audits across the group during the financial year
- Coronation's cost-to-income and cost-to-AUM ratios outperformed leading local and international competitors
- All subsidiaries maintained required levels of regulatory capital and liquidity
- Compliance with regulatory requirements across all jurisdictions.
- BEE scorecard improvement

## Board assessment

Overall the remuneration committee assessed the performance of the CFO as meeting all expectations.

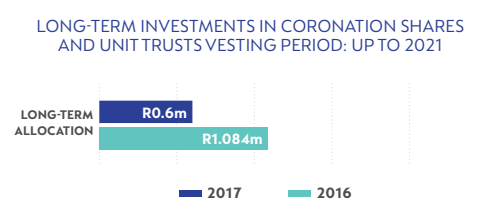
## Remuneration

Assessing the CFO's performance against KPIs and qualitative measures, the remuneration committee decided on an allotment from the variable remuneration allocation. The award opportunity is directly aligned with the profitability of the company.



In line with Coronation's remuneration policy, which strives to align employees with stakeholder interests, the committee allocated the CFO with a long-term allocation. The allocation is invested in Coronation unit trusts and vesting periods of one, two and three years were applied. The committee believes that the allocation strikes an effective balance between cash and deferred remuneration, and is in line with the business' long-term ethos – all decision-making, both in business and investment management, is made with a long-term view, regardless of any potential short-term benefit.

The allocation is subject to a number of conditions, including that the recipient does not sell Coronation shares during the vesting periods.



The CFO's shareholding is 0.16% of Coronation's issued share capital. The CFO has a permanent employment contract with a three-month notice period and a six-month paid restraint of trade.

## Non-executive directors

Non-executive directors of Coronation receive an annual fixed fee and an attendance fee for board and subcommittee meetings, as contained in a resolution that is subject to shareholder approval.

The table below reflects the 2017 fees paid to the non-executives. Due to an inadvertent error, the non-executive director remuneration which was approved at Coronation's annual general meeting on 14 February 2017, contained incorrect amounts. Total fees paid to non-executive directors amounted to R4.3 million as detailed below, compared to the R4.1 million proposed in the shareholder resolution. Accordingly, a special resolution will be tabled at the annual general meeting in February 2018 to address this error and ratify the actual amounts paid.

### Actual non-executive directors' fees paid (excluding VAT where applicable)

NON-EXECUTIVE DIRECTORS	BASIC FEE R'000	BOARD MEETINGS R'000	AUDIT AND RISK COMMITTEE MEETINGS R'000	REMUNERATION AND NOMINATIONS COMMITTEE MEETINGS R'000	SOCIAL, ETHICS, AND TRANSFOR- MATION COMMITTEE MEETINGS R'000	TOTAL 2017 R'000
Shams Pather	108	549	154	241	–	1 052
Alexandra Watson	103	294	240	–	98	735
Judith February	108	314	77	–	118	617
Jock McKenzie	108	314	154	253	–	829
Lulama Boyce	103	294	74	–	–	471
Hugo Nelson	103	294	98	147	–	642
<b>Total</b>	633	2 059	797	641	216	4 346

In preparation for the 2018 fee proposal for non-executive directors, the committee considered the increased demands on directors to contend with the growing complexity of the business, regulatory requirements and the needs of a global business. In addition, director fees were reviewed against the PricewaterhouseCoopers Non-Executive Directors Practices and Trends Report (January 2018) and found to be lower than the observed non-executive fees in the financial service industry (for companies comparable in size to Coronation).

Accordingly, we will propose an increase to bring the fees more in line with current industry practice, and to ensure that we are able to retain non-executive directors with the required experience and expertise. The proposal (as detailed on [page 115](#)) will be submitted for approval by shareholders by way of a special resolution tabled at the annual general meeting in compliance with the Companies Act. Approvals for non-executive directors fees are sought excluding Value Added Tax (VAT), and where necessary non-executive directors will levy VAT on their fees.

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



Diversity prevails across all levels  
of our business. We are a truly  
South African company.



## OUR BOARD

A unitary board comprising a majority of independent, non-executive directors from diverse backgrounds, and with different skill sets and experience.

SHAMS PATHER	ANTON PILLAY	JOHN SNALAM	JUDITH FEBRUARY
<p><b>Independent non-executive chairman, 66</b></p> <p><i>BBusSc, BCom (Hons), MBA (UCT)</i></p> <p>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. His 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 University of Cape Town (UCT) Joint Investment Council.</p>	<p><b>Chief executive officer, 47</b></p> <p><i>BBusSc, CA(SA), CFA, AMP (Harvard)</i></p> <p>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. He is a director of various Coronation subsidiaries, and also serves as chairperson of Namibia Asset Management and on the board of PPS Investments. Anton is a member of the Association for Savings and Investment South Africa (ASISA).</p>	<p><b>Chief financial officer, 58</b></p> <p><i>BCom, CTA, CA(SA)</i></p> <p>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.</p>	<p><b>Independent non-executive director, 45</b></p> <p><i>BA (Law), LLB, LLM (UCT)</i></p> <p>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 <i>Eyewitness News</i>, <i>Daily Maverick</i> and <i>Media24</i>. She is also the chair of the Springfield Convent School board of governors and the co-editor of <i>Testing Democracy: Which Way is South Africa Heading?</i> (2010). Judith was appointed to the board in August 2008.</p>



Back row: Jock McKenzie, Judith February, Anton Pillay, Alexandra Watson, Hugo Nelson, John Snalam  
Front row: Shams Pather, Lulama Boyce

## ALEXANDRA WATSON

**Independent non-executive director, 61**

*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 the South African Institute of Chartered Accountants, 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.

## LULAMA BOYCE

**Independent non-executive director, 38**

*BCom (Hons), CA(SA), MCom, Financial Management (UJ)*

Lulama is a senior lecturer and subject head at the Department of Commercial Accounting at the University of Johannesburg. She is also a member of the board of Adcock Ingram Holdings. 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) from 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.

## JOCK MCKENZIE

**Independent non-executive director, 70**

*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 UCT 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.

## HUGO NELSON

**Independent non-executive director, 47**

*MBChB, MBA (Oxon), CFA*

Hugo is founding partner of Fortitude Vincimus Capital Advisors (Pty) Ltd. He is a former CEO of Coronation Fund Managers, 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. Hugo was appointed to the board in November 2016.

## BOARD REVIEW

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The board has full and effective control of the group, which is exercised through senior management and subsidiary boards. 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.

Continuing to earn and build on Coronation's clients' trust is the foundation upon which the business has been built.

As a good corporate citizen and a leader within the South African asset management industry Coronation has a responsibility to conduct itself in an ethical and responsible manner. As an increasingly global company, the board will continue to ensure that the group complies with best governance practices around the world, including King IV, to sustain an environment of effective oversight and accountability.

We are aligned to the principles as detailed in our King IV application register, which can be viewed on our website ([www.coronation.com](http://www.coronation.com)).

### Board composition

As at 30 September 2017, Coronation's unitary board comprised two executive directors and six independent non-executive directors. 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 78 and 79](#).

### Board tenure

Mr Shams Pather, Prof Alexandra Watson and Ms Judith February are independent non-executive directors who have been members of the board for longer than nine years. In terms of King IV, the board is required to initiate a rigorous review when an independent non-executive director's tenure exceeds a period of nine years. As at September 2017, the board considered various criteria which would likely affect, or appear to affect the aforementioned directors' character and judgement. This included assessments of relationships and circumstances that could create material conflicts of interest. The board concluded that, in each instance, the independence of Mr Pather, Prof Watson and Ms February's character and judgement was not impaired by their length of service.

### Lead independent non-executive director

On 10 October 2017, Prof Alexandra Watson was appointed the lead independent non-executive. The lead independent non-executive is expected to:

- lead the board in the absence of the chairperson;



- lead the performance appraisal of the chairperson;
- assist the chairperson in all other matters where necessary; and
- act as chairperson in any other instance where the chairperson is conflicted in relation to a matter being considered by the board.

## Director nominations

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 111](#) for details regarding those directors who are retiring this year).

## Outside interests

In terms of the Companies Act, all directors must disclose outside business interests. The declaration of directors' interest and conflicts of interests is a standard agenda item at each board meeting. Directors who are conflicted recuse themselves and do not participate in meetings. The company secretary maintains a register of all the directors' interest, which is presented to the

board annually. The board is aware of directors' outside commitments and is satisfied that all directors allocate sufficient time to enable them to discharge their duties effectively.

## Director fees

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 page 76](#)).

Although the board retains overall responsibility for the Coronation group, the board does delegate authority to the executives to manage the day-to-day business and affairs of Coronation. The delegation of authority framework clearly sets out specific levels of authority and the required approvals necessary for all decisions to be made, while providing the necessary autonomy for the day-to-day operations. The authority framework is reviewed annually by the board.

As at 30 September 2017, the board and its three committees comprised the audit and risk committee, the remuneration and nominations committee and the social, ethics and transformation committee. See → [Pages 78 and 79](#) for each committee member's qualifications and experience. 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 <sup>†</sup>		Member
Lulama Boyce <sup>1†</sup>	Director			
Judith February <sup>1</sup>	Director		Chairman	
Jock McKenzie <sup>1^</sup>	Director	Member		Chairman
Hugo Nelson <sup>1</sup>	Director	Member		Member
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.

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

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

<sup>2</sup> Executive.

<sup>†</sup> Lulama Boyce was appointed to the audit and risk committee on 10 October 2017. Shams Pather resigned from the committee on 13 November 2017.

An appraisal by the board has been concluded during the financial year with reference to its board charter. The evaluation was conducted formally via an online process and facilitated internally. The board discussed the evaluation results and noted that there were no areas of concern. The board was pleased with the process and was satisfied that the evaluation process would improve its overall performance and effectiveness.

An appraisal of the board committees was concluded during the financial year. The board and its committees are satisfied with the performance of its members and that the responsibilities of the committees were in accordance with their respective charters.

## Meeting attendance

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 resolutions, 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 six occasions during the 2017 financial year.

Attendance at the meetings of the board and the committees as at 30 September 2017 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%
Hugo Nelson	100%	100%		100%
Alexandra Watson	100%	100%	100%	
Anton Pillay	100%		100%	
John Snalam	100%			

## Diversity policy

The board recognises that the promotion and implementation of gender and race diversity is critical to achieving sustainable transformation in the long term. The board has adopted a diversity policy, which is available at [www.coronation.com](http://www.coronation.com). In assessing the composition of the board, consideration will be given to the appointment of female and/or black directors to attain and maintain gender and race diversity within the board, having due regard to the skills, expertise, experience and background required to fill any board positions. The target for non-executive directors of the board is 50% black and 50% female.

## 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 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.

## COMMITTEE REPORTS

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### SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE

The responsibilities of the social, ethics and transformation committee include upholding, monitoring and reporting on, organisational ethics; responsible corporate citizenship; organisational transformation and the fulfilment of its statutory duties on behalf of the group, as well as any additional functions as delegated by the board. The policy, strategy and structure that give effect to these stated objectives are presented to the board for approval. The social, ethics and transformation charter (the charter) more fully sets out the committee's responsibilities and 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 directors Ms Judith February (chairperson), Prof Alexandra Watson, as well as executive director, Mr Anton Pillay (refer to the profiles of each member on → [Pages 78 and 79](#)). To assist the committee in the execution of its mandate, management committees have been established in respect of employment equity and corporate social investment. The activities of these committees are a discussion point on the social, ethics and transformation committee agenda. In addition, the chief operating officer and heads of talent management and marketing regularly attend and report at committee meetings by invitation.

The biannual meetings of the committee during 2017 were fully attended by committee members and invitees.

In its deliberations during the year, the committee considered substantive local and international regulation and frameworks, as well as leading industry practice. This included oversight of an

exercise to verify that the committee achieved the principles of King IV. Furthermore, the committee received feedback on 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:

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

In accordance with its mandate, the committee received feedback and monitored developments in the following areas during the year:

➤ **Labour and employment practices.**

Overseeing that meaningful transformation is taking place within the business with regard to recruitment, employee retention, and career development as well as the development of the workforce pipeline, through graduate development and bursary programmes. In furthering the transformation agenda, the committee reviewed and recommended that the board adopt the draft Board Diversity Policy, to establish voluntary targets for achieving race and gender diversity on the board.

- **Organisational ethics.** Overseeing the promotion of an ethical culture, equality, and prevention of unfair discrimination, including oversight and monitoring adherence to the code of ethics and related policies, as well as reviewing monthly reports of activity on the anonymous whistle-blowing hotline, administered by a third party.

- **Enterprise development and preferential procurement.** Monitoring initiatives undertaken to beneficially impact both the transformation of the business and the broader financial services industry. In discharging these responsibilities, it considers the company's vision, legal and regulatory frameworks and industry scorecards.
- **Corporate citizenship.** Overseeing 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 aimed at uplifting society through the various long-term programmes developed to meaningfully empower individuals and communities through education. During the year, the committee discussed at length the efficacy of social impact investing programmes. The committee additionally monitors corporate spend in respect of the various programmes supported.
- **Environment.** Considering the impact of the business on the environment, as well as 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. During the year, the committee reviewed and made recommendation for the board's approval of a corporate environment, social and governance policy.
- **Stakeholder engagement.** Receives and reviews a summary report on engagement with the material stakeholders for the period, including the number and method of engagement. No material matters requiring the focus of the committee were noted during the year.

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 received regular feedback during the year regarding the revised Financial Sector Charter and its related impact. It will continue to monitor Coronation's adherence to the revised charter.

Given the increased culture of stakeholder activism across the country, the committee plans to apply greater focus to the group's relationships with its stakeholders, as well as public perception of the company. The committee will continue to focus on meaningful transformation initiatives in support of the company's commitment to King IV and furthering the culture of responsible corporate governance and transparency within the company. These will focus on increased diversity within both the company and at board level in line with our draft policy. In addition, we remain focused on setting the strategic direction for engagement with our multiple stakeholders and continuously improving on our environmental, social and governance commitments. This is key to the future sustainability of the company. We will continue with the work of good corporate citizenship, ensuring it filters through to every part of our business, specifically as regards our commitments to transparency, monitoring conflicts of interest, creating a safe environment for whistle-blowers and broader issues of representation and diversity.

The committee completed a self-assessment during the 2017 financial year, and is of the opinion that it has effectively discharged its responsibilities in terms of its mandate.



## REMUNERATION AND NOMINATIONS COMMITTEE

The remuneration and nominations committee is a combined committee, consisting of three 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 independent non-executive director Dr Hugo Nelson also serves on the committee. 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. The committee usually meets three times a year – in April, September and October, as well as on an ad hoc basis if required. During the 2017 financial year, the committee met four times and there was full attendance at all meetings by its members.

The primary objective of the committee is to ensure that the group remuneration policy structures and processes are appropriate to achieve the group's overall business strategy, objectives, values and long-term interests, and are 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. Further, the committee has to ensure that it achieves an appropriate level of race and gender diversity in accordance with the Company's diversity policy ([→ Refer page 82](#)).

In further strengthening the independence of the governing body, the committee recommended that Prof Alexandra Watson be appointed the lead independent non-executive director on the board. The appointment was made on 10 October 2017. Among other functions, the lead independent director is expected to lead the board in the absence of the chairperson and assist the chairperson where necessary.

In addition, the committee also nominated Ms Lulama Boyce to the audit and risk committee. As a senior lecturer and subject head for the Department of Commercial Accounting at the University of Johannesburg, Ms Boyce contributes valuable expertise to 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, where appropriate, 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 section on [→ pages 62 to 76](#). Please see the committee charter in the shareholder information section of our website ([www.coronation.com](http://www.coronation.com)).

## AUDIT AND RISK COMMITTEE

The joint audit and risk committee is responsible for enabling the maintenance of sound systems of risk management, compliance and combined assurance, as well as overseeing the preparation of accurate integrated and financial reports in compliance with all applicable reporting standards.

The committee's duties, as mandated by the board, extends, inter alia, to:

- managing strategic and major financial risks;
- overseeing the adequacy and effectiveness of information technology, operational and financial risks and controls;
- reviewing the effectiveness of the system of monitoring compliance with relevant laws and regulation;
- recommending the appointment of the external auditor to shareholders and evaluating the performance of the incumbent;
- appointing and removing other assurance providers, as well as ensuring assurance providers collectively possess the required skill and expertise to address the complexity and volume of risk faced by the group; and
- satisfying itself that the finance function possesses the necessary skill and expertise.

The audit and risk committee charter, available on our website ([www.coronation.com](http://www.coronation.com)), more fully describes the role and function of the committee, which discharges its responsibilities on behalf of the group.

The committee comprises four independent non-executive directors, three of whom provide expertise in the fields of commerce and finance including the committee chairperson, Prof Alexandra Watson, a practising professor at the college of accounting of the University of Cape Town.

Following year-end, there were two changes to the committee. With effect from 10 October 2017, independent non-executive director Lulama Boyce was appointed to the committee. On

13 November 2017, independent non-executive director Shams Pather stepped down from the committee.

The committee meets at least three times a year – in May, August and November – in conjunction with the key reporting cycles of the group. The committee met thrice during the 2017 financial year, with full member attendance at all meetings.

Committee meetings are attended by management, the internal and external auditors by standing invitation, as well as external subject matter experts as required. In addition, the remaining board members regularly attend and observe the proceedings of committee meetings. The chairman of the committee reports on the status of the external audit, operational risk assurance, and compliance and risk management functions at meetings of the board of directors.

The chief financial officer, internal and external auditors, the risk assurance manager and the global head of risk and compliance have unrestricted access to the committee chairperson, which ensures that their independence is not compromised.

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.

After almost a quarter of a century with Coronation, the chief financial officer, John Snalam, has indicated that he will retire as financial director after he has reached the company retirement age of 60 years in December 2018. He will remain in his capacity as chief financial officer and financial director of the group until February 2019.

### Oversight of financial controls and external audit

During the year, the committee approved the external auditor's terms of engagement and scope of work. It agreed to the external audit plan prior to the commencement of the audit.

Full feedback was given to the committee after the audit was completed, and an independent JSE review was considered in relation to the annual financial statements. The Audit and Risk committee considered the quality of the external audit by reviewing the results of the review performed by the Independent Regulatory Board of Auditors as well as the feedback received from management.

### Ensuring auditor independence

- The committee has set a limit of 10% of audit fees for any non-audit work undertaken by the external auditors.
- The committee reviews the quantum and type of non-audit services provided by external auditors to ensure compliance with the specified limits.
- The tenure of the external audit firm is reviewed annually by the committee. Historically, the external audit function is put out to tender between every eight and ten years. The existing external audit firm is not precluded from participating.
- The committee oversees the rotation of audit partners every five years, in accordance with the requirements of the Companies Act.
- 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 regards to rotation and independence. The audit and risk committee is satisfied that the external auditor is independent of the company.

The audit and risk committee also considered and 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. In making these assessments,

feedback was obtained from both the external and internal audit. The committee is of the opinion that he has the appropriate expertise and experience to meet his responsibilities in the position, as required by the JSE, given the following:

- successive unqualified audits of the group since its inception;
- regular and comprehensive financial reporting to the board; and
- independent discussions between the audit and risk committee chair and external auditors regarding the effectiveness of the finance function.

Based on the processes and assurances obtained, the committee is of the view that the accounting practices are effective.

Significant matters that the Audit and Risk Committee considered in relation to the annual financial statements included the early adoption of IFRIC 23, as issued by the International Accounting Standards Board, as well as a schedule of audit differences and management contention in relation to this.

### Oversight of combined assurance

During the year, the committee approved the operational risk assurance plan, as detailed on → [Pages 89 to 93](#), as well as the output of the group's combined assurance.

The audit and risk committee has considered and is satisfied with the effectiveness of the risk assurance manager and the arrangements in place for combined assurance, including operational risk 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 or in the performance of any assurance provider.

# COMBINED ASSURANCE

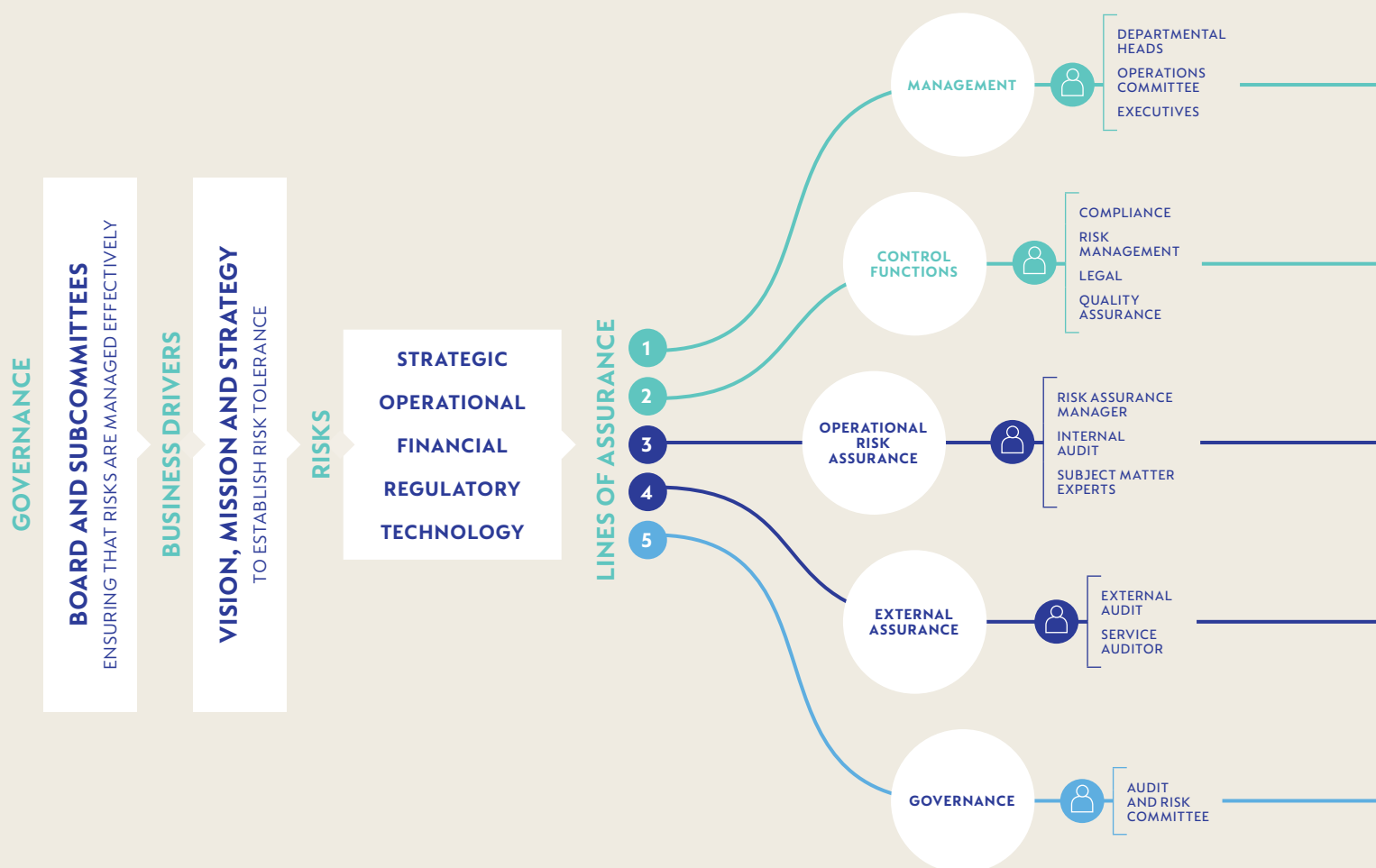
With the support of the board and the audit and risk committee, Coronation has implemented a combined assurance model, comprising five lines of assurance as depicted in the figure below.

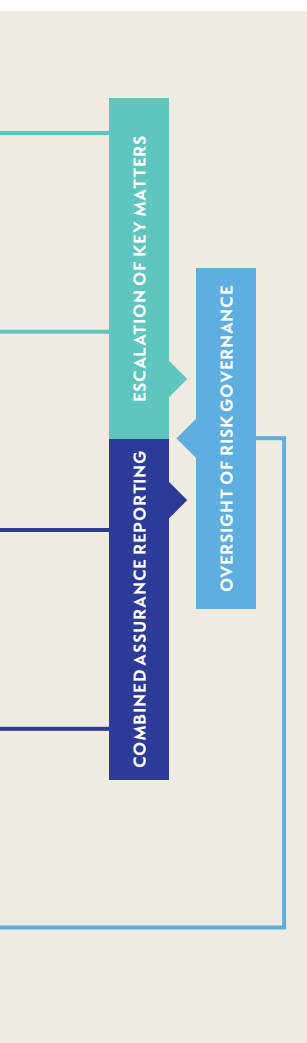
The implementation of a combined assurance model enables an efficient and holistic approach to risk management and assurance activities across the group that, taken as a whole, provides a level of assurance that is greater than the sum of its parts and adequately supports the integrity of information produced for reporting and decision-making.

The model recognises varying levels of assurance, ranging from management to specialised independent external assurance, and is designed to maximise the value obtained from assurance, while minimising duplication.

## Management and control functions

Management, as the first line of assurance, is primarily accountable for owning and managing risk within the departments they manage. This includes designing and implementing effective





processes and controls to identify and mitigate risk to achieve the objectives of the business, as well as comply with relevant regulation.

Management is supported by specialist internal control functions within the second line of assurance, which includes the risk and compliance functions. These control functions provide subject matter expertise to management in relation to the design and operating effectiveness of processes implemented by management. They monitor key risk areas and report any material issues to management and the audit and risk committee.

## Risk management report

Risk is an inherent and unavoidable part of any business. The appropriate management of risk is crucial to protecting stakeholder interests, the adherence to regulatory requirements, and maintaining the long-term sustainability of the business.

At Coronation, the board is ultimately responsible for ensuring that risks are managed effectively, within a tolerance (risk appetite) defined by the board. The board has delegated responsibility for overseeing risk management to the audit and risk committee and ultimately, management and the risk function.

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.

Coronation's risk management objectives are to:

- create risk awareness and understanding across all levels of the organisation;
- integrate risk consciousness into the organisation's daily decision-making and implementation processes;
- facilitate risk identification and mitigation across the group within risk appetite and risk-tolerance parameters defined by the board;
- improve the group's ability to prevent, detect, correct, escalate and respond to critical risk issues by conducting risk monitoring; and
- comply with appropriate risk management and corporate governance frameworks and guidelines.

The group risk management strategy and framework more fully articulates the risk management policy and guides the approach to risk management across the group, which includes the key elements as illustrated in the figure below.



Risk management is a cyclical and ongoing process that should ensure that resources are effectively employed to minimise the probability of negative events, while maximising the realisation of opportunities.

We adopt a dual top-down and bottom-up approach to identifying risks, which considers the external environment and strategic planning to identify key strategic risks, as well as identifying risks at the operational level – which include process, client and product-specific risks.

Management, as the first line of assurance, are risk owners and take an active role in day-to-day risk management. They are responsible for identifying, evaluating, mitigating and monitoring risk, and are also tasked with applying the framework.

The risk function comprises the risk officer and risk assurance manager, who report to the head of global risk and compliance, who in turn reports to the CEO and the chair of the audit and risk committee. The risk function is responsible for overseeing and reporting on the adequacy and effectiveness of management's procedures to manage risk across the group. More specifically, 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 execution of the operational risk assurance plan which assesses the integrity of controls implemented to manage risk (more fully discussed on → [page 96](#)).

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. The audit and risk committee escalates material risk matters to the board, and there is also ongoing interaction between executive members of the board and senior management.

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.

We recognise that, in a complex financial services environment, risk management processes and strategies should evolve: they should be subject to ongoing review and modifications, taking into account risk appetite, risk tolerance and risk resilience of the business.

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 the key risk types facing the business, along with the relevant mitigating controls, which have been implemented.

RISK	DEFINITION	MANAGEMENT AND MITIGATION
<b>BUSINESS AND STRATEGIC RISKS</b>		
<b>Reputational risk</b>	An action, event or transaction that may cause a loss of confidence in Coronation's integrity or otherwise damage the Coronation brand.	Our ownership culture, long-term strategic thinking and client-centric philosophy drives our behaviour, protects stakeholder interests and mitigates reputational risk. In addition, our remuneration structure is designed to ensure that employees' interests and stakeholder interests are aligned. All forms of media are regularly monitored to enable a proactive approach to reputational risk management. Material events which may impact the group are directly escalated to the CEO and chairman of the board for consideration.

RISK	DEFINITION	MANAGEMENT AND MITIGATION
<b>BUSINESS AND STRATEGIC RISKS (CONTINUED)</b>		
<b>Market change risk</b>	Failure to respond to fundamental changes in the fund management industry, including distribution patterns, embracing new channels or products to meet the changing profile and demands of clients.	We continue to invest in the Coronation brand and our direct investor infrastructure. Through ongoing client engagement and publication of thought leadership, we affirm our commitment to our long-term investment philosophy. We regularly review and revise our fee structures to remain competitive and stay abreast of competitor consolidation and aggregation strategies. We actively participate in industry bodies to influence legislative outcomes where possible and in addition, develop new products in response to changing needs of clients, subsequent to conducting in-depth research and viability assessments.
<b>Compliance and regulatory risk</b>	Non-adherence to regulations.	Our compliance department maintains a robust compliance programme to ensure compliance with all relevant regulations. This team, with assistance from specialised external compliance consultants as needed, implements and tests adherence to current regulation on an ongoing basis, facilitates training and awareness for employees and continuously monitors the pipeline of new or amended legislation potentially impacting the business. Periodic independent assurance is obtained on the adequacy and efficacy of our compliance arrangements.
<b>Transformation risk</b>	Not responding in a considered manner to achieving true transformation and potential non-achievement of Financial Sector Charter targets.	An employment equity committee oversees and monitors achievement of transformational targets in accordance with our employment equity plan. In addition, the committee ensures that policies and practices do not prohibit the sourcing and retention of talented black individuals. The committee reports to and its activities are overseen by the social, ethics and transformation committee ( <a href="#">→ See pages 83 to 84</a> ). In developing the pipeline of black talent, Coronation makes a significant investment in educating previously disadvantaged youth through our bursary, internship and graduate recruitment programmes ( <a href="#">→ See pages 54, 60 and 61</a> ).
<b>INVESTMENT MANAGEMENT RISK</b>		
<b>Investment performance risk</b>	Sustained poor investment returns relative to peer funds and benchmarks.	All client assets are managed by a single and stable investment team of highly skilled individuals who are unwavering in the application of our tried and tested investment philosophy, underpinned by our commitment to the long term. The investment team is subdivided into teams with specific focus per asset type and/or region, who rigorously monitor the markets and make investment decisions supported by our proprietary research. The investment team is predominantly based at our Cape Town headquarters, which facilitates continuous in-person engagement, further entrenched by a daily morning meeting of all investment team members. Extensive insights and thought leadership on markets and Coronation strategies is made available to clients as well as the general public, including in our quarterly publication, <i>Corospondent</i> . Additional information on investment governance is provided on <a href="#">→ Pages 32 to 33</a> .

RISK	DEFINITION	MANAGEMENT AND MITIGATION
<b>INVESTMENT MANAGEMENT RISK (CONTINUED)</b>		
<b>Credit risk</b>	Inability of a counterparty to a financial instrument to meet its obligations in terms of an existing contract, or failure to service its debt timeously.	Credit risk is overseen by our counterparty and credit risk committee, comprising fixed income portfolio managers, credit analysts, risk and compliance representatives. The committee is chaired by an experienced independent non-executive chairperson. The committee convenes monthly and is guided by a counterparty and credit risk policy, which defines the approval process for new credit exposures and stipulates conservative quantitative issuer exposure limits. Adherence to the credit risk guidelines is monitored daily by the investment risk and performance team, a specialist control function, through a review of system-generated reports, which are also received by members of the committee and executive management.
<b>OPERATIONAL RISKS</b>		
<b>Outsourcing risk</b>	The inability or unwillingness of an outsourcing service provider to discharge its contractual obligations.	<p>Given our dedicated focus on investment management and related core activities, operational aspects of the business are outsourced where appropriate. However, we remain fully accountable for the delivery and risks associated with outsourced processes. To this end we have implemented a service provider management framework, including:</p> <ul style="list-style-type: none"> <li>▶ implementation of controls to ensure robust oversight of key outsourced providers on a real time and ongoing basis, including daily, weekly and monthly transaction reviews.</li> <li>▶ monitoring adherence to service level agreements and implementation of formal communication channels, as well as formal escalation procedures to manage and resolve issues identified.</li> <li>▶ conducting periodic formal on-site due diligence.</li> </ul>
<b>Risk of failure of operational processes and controls</b>	Operational processes and controls may be inadequate and/or ineffective from a design or operating effectiveness perspective, resulting in operational errors and financial loss.	Our combined assurance model, including the annual operational risk assurance plan, ensures the ongoing assessment of the design and operating effectiveness of our control environment. The combined approach to assurance ensures that resources with the appropriate level of skill and expertise review key processes to maximise the quality and quantity of assurance obtained (→ <a href="#">See page 88</a> ).
<b>Human resource risk</b>	Inability to attract, motivate and prevent the departure of top talent.	Our people are our most prized assets. Accordingly, our work environment, culture and remuneration policy are designed to attract, retain and motivate great talent (→ <a href="#">See page 62</a> ). Our high-performance culture, employee ownership and personal career development opportunities are defining characteristics of our business that helps to attract and retain employees. We maintain a bursary and internship programme (→ <a href="#">See pages 54, 60 and 61</a> ) which serves the dual purpose of developing the nation's youth and providing a workforce pipeline.



RISK	DEFINITION	MANAGEMENT AND MITIGATION
<b>OPERATIONAL RISKS (CONTINUED)</b>		
<b>Information and technology risk</b>	Obsolescence of infrastructure, deficiency in integration, failures/inadequacies in systems/networks that may significantly disrupt core operations	Information technology; systems and data (technology) are viewed as key enablers of the group's strategic objectives, and as such, a robust technology and systems governance framework has been implemented (→ <a href="#">See page 97</a> ). The board-approved framework sets out the objectives of technology which includes ensuring high integrity and availability of technology and information to meet business needs in a timely manner.
<b>Cyber security risk</b>	Ineffective preparation for and management of cyber threats that may significantly disrupt core operations, cause financial loss and damage our reputation.	<p>Cyber risk is holistically managed across people, processes and technology. This includes enforcing appropriate policies, ongoing employee awareness and employing technology to prevent and/ or detect potential or actual threats to the security of our environment.</p> <p>Vulnerability management occurs on an ongoing basis whereby the server and desktop environments are scanned for threats and patches deployed as needed.</p> <p>Independent subject matter experts perform penetration testing on a regular basis, and the implementation of recommendations is closely monitored.</p> <p>Live monitoring of cyber threats and system logs occurs via our dedicated Security Operations Centre (SOC).</p>
<b>Disaster recovery and business continuity risk</b>	A physical event or system issue which could impair Coronation's ability to perform core business activities.	Comprehensive business continuity/disaster recovery plans are designed and tested annually to ensure complete restoration of core business functions in the event of a disaster, within a defined recovery timeline. This includes user acceptance testing to verify recovered systems are fully operational. Key features of the continuity and recovery plans include off-site retention of data backups and access to a recovery warm site.
<b>Fraud risk</b>	Clients are exposed to and may potentially become victims of fraudulent activities.	<p>Operational processes and controls are designed to identify and prevent fraudulent activity.</p> <p>Periodic assurance is obtained to ensure consistent application of the agreed controls in all high-risk areas and to identify any areas of weakness. We remain aware of emerging fraud trends through participation in industry forums.</p>
<b>FINANCIAL AND CAPITAL RISKS</b>		
<b>Liquidity and capital risk</b>	Insufficient liquidity to meet Coronation's liabilities when due, under both normal and stressed conditions as well as not maintaining sufficient regulatory capital.	<p>Regular detailed cash flows are prepared on a rolling prospective 12-month basis based on business forecasts. These are reviewed internally and subjected to stress tests. These are further presented on a quarterly basis to the board for review and approval.</p> <p>Ongoing assessment of liquidity and capital requirements and available liquid resources and facilities is performed at management and board level.</p>

# COMPLIANCE REPORT

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## Overview

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

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

Our compliance programme is designed to identify and understand the full universe of applicable regulation, provide appropriate employee training and ensure that, where possible, compliance requirements are embedded in our operational 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 chair of 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 Africa-based compliance officers, a compliance officer based in Dublin and an external compliance consultant in London. We also employ the services of compliance consultants and law firms to ensure we obtain expert advice and 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.

## Key areas of focus

Coronation's key compliance goals are to:

- identify all regulatory obligations in all jurisdictions in which we operate, and implement risk-based programmes to implement and monitor compliance;
- take a proactive approach in identifying, preparing for and implementing changes required by new or amended regulation;
- promote employee awareness and understanding of regulatory obligations/internal policies through training and communication;
- work in close partnership with management to develop pragmatic risk-based solutions to regulatory challenges;
- ensure the audit and risk committee is kept informed of material compliance risks facing the firm, including via effective formal reporting; and
- manage service provider and regulatory relationships effectively.

The compliance department spends a significant portion of its time monitoring and assessing the impact of key regulatory developments, both locally and abroad. Some of the key current areas of regulatory focus include:

### ➤ Domestic:

- › Retail Distribution Review
- › POPI Act
- › Hedge fund declaration and regulations
- › King IV
- › Long-Term Insurance Bill and related rules and regulations
- › Board Notice 92 in relation to advertising, marketing and disclosures
- › FICA Act
- › FAIS Fit and Proper amendments

### ➤ International:

- › MiFID II
- › Impact of Brexit
- › Ireland Consultation Paper 86 on fund management company effectiveness/delegate oversight
- › European Market Infrastructure Regulation (EMIR)
- › Regulatory impact of offering cross-border services and products

## Compliance monitoring

Coronation's compliance department manages a comprehensive compliance monitoring programme which includes:

- Real-time monitoring embedded in operational processes, including in relation to:
  - › Investment rule monitoring
  - › Personal account investing
  - › Insider information declarations
  - › Gift declarations
  - › Best execution
- Retrospective monitoring in the form of internal assurance:
  - › Risk-based compliance monitoring plans covering key global legislative obligations are executed by Coronation's compliance officers.
- Retrospective monitoring in the form of external assurance:
  - › Various independent external assurance providers conduct periodic reviews of key elements of Coronation's compliance programme.

## Culture of compliance

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. Under 'stakeholders' we include the public, regulators, clients, prospective clients, shareholders, employees, colleagues in the investment profession, and other participants in the global capital markets. Furthermore, we view ethical behaviour as much more than a compliance requirement. Clients are under no obligation to continue entrusting us with their assets. For any investment manager eager to earn and continue to earn their clients' trust, ethical behaviour is a business imperative.

All employees are required to conduct themselves in accordance with our code of ethics, client charter and our six values (→ [Refer to pages 9 and 36](#)). In addition, all employees are required to complete an annual declaration that includes

the provision of information and/or declarations in relation to outside interests, personal account investing, broker statements, conflicts of interest, compliance with the requirements of Coronation's compliance policies, 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.

## Compliance policies

A key element of our compliance programme is the design and maintenance of an appropriate compliance policy framework. Key written policies include:

- Code of ethics
- Conflicts of Interest Management
- Whistle-blowing
- Anti-Money Laundering and Financial Crime
- Treating Customers Fairly
- Complaints Handling and Resolution
- Investment Rule Management
- Asset Pricing and Valuation
- Business Continuity and Disaster Recovery
- Outside Interests and Personal Account Investing
- Gifts and Inducements
- Inside Information
- Credit Risk Management
- Order Execution
- Transactions Costs

The compliance department, in conjunction with internal subject matter-experts, is responsible for ensuring that all policies remain current and are reviewed periodically.

## Assurance report

In addition to the assurance provided by management and control functions, the third and fourth lines of assurance comprise the independent assessment of the control environment by a broad range of assurance providers and subject matter experts.

The third line of assurance, termed operational risk assurance, refers to internal reviews of the control environment the results of which are reported to management and the audit and risk committee. Operational risk assurance comprises the risk assurance manager, internal audit and various subject matter experts. The risk assurance manager and internal audit have free and unrestricted access to the audit and risk committee to maintain the appropriate level of independence.

The activities of operational risk assurance are guided by the operational risk assurance charter, approved by the audit and risk committee, which sets forth the nature, scope and purpose of the operational risk assurance function.

An annual operational risk assurance plan (the plan), is designed to ensure optimal coverage of material risks by the third and fourth lines of assurance and is reviewed and approved by the audit and risk committee. The plan is developed by the risk assurance manager, in close consultation with the risk officer, management and assurance providers, as well as analysis of the risk register and the results of previous assurance activities. Planned independent assurance extends across all areas of the business, including internal control functions such as risk management and compliance.

Execution of the plan is allocated to the provider best suited to each particular assurance requirement, thereby maximising the added value of the exercise. 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 range of service providers, ensures that the committee obtains the appropriate level of independent and objective assurance.

The audit and risk committee has considered and is satisfied with the arrangements of operational risk assurance, as well as the performance of the risk assurance manager and internal audit.

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 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).

EY were appointed external auditor in 2011, with the incumbent designated audit partner appointed in 2013. Ms Leigh-Ann Killin will replace Mr Malcolm Rapson as the designated audit partner with effect from 2018.

The audit and risk committee is satisfied that Ms Killin possesses sufficient knowledge and expertise to succeed Mr Rapson, given her current supporting role on the external audit and additional documentation considered in respect of Ms Killin's competency.

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.

# INFORMATION TECHNOLOGY AND SYSTEMS REPORT

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## Governance

The effective management of information, information technology (IT) and information systems (IS) is key to achieving our strategic objectives, particularly in delivering excellent client service and supporting long-term investment outperformance.

The board aims to represent the interests of all stakeholders in delivering a successful and sustainable business. Accordingly, the board is accountable for governing the ethical and effective application of resources toward the achievement of strategic outcomes to create value for stakeholders.

IT and IS at Coronation are viewed as key enablers of the group's strategic objectives, and as such, require robust governance.

The group has identified the following as key technology and information governance objectives:

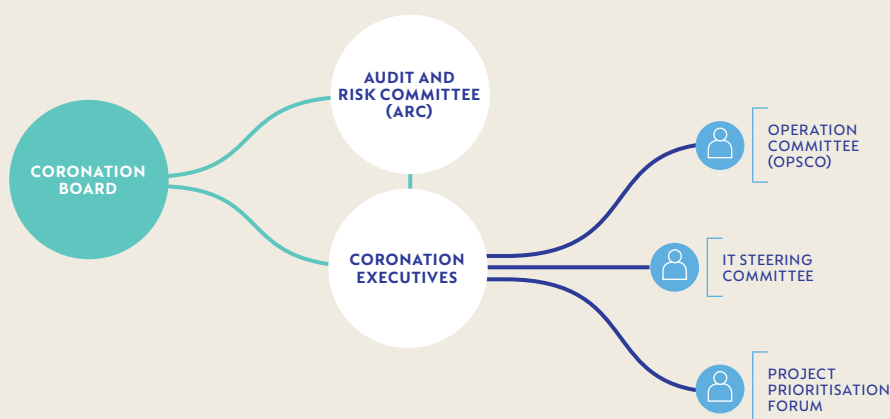
- ▶ monitoring the alignment of short, medium and long-term strategies of the business and technology;
- ▶ maintaining formalised technology and information governance at Coronation, aligned to existing corporate governance structures and leading practices;
- ▶ monitoring the integrity and availability of technology and information to meet business needs in a timely manner;
- ▶ developing and maintaining of appropriate organisational structures, relationships, frameworks and processes to support technology and information governance;
- ▶ measuring and managing the cost expended and the value received from technology;
- ▶ managing technology resources and assets, including information, in an efficient and effective manner, such that the value derived from these resources is maximised;

- ▶ safeguarding technology resources and information;
- ▶ monitoring adherence to legislative requirements and other guidance as it pertains to technology and information management relevant to the group, including but not limited to the King IV; Control Objectives for Information and Related Technologies (COBIT); the Information Technology Infrastructure Library (ITIL) and; the International Organisation for Standardisation 27000 series supporting information security (ISO 27000);
- ▶ establishing appropriate policies and frameworks pertaining to managing technology and information across the business and monitoring adherence thereto; and
- ▶ establishing performance criteria aligned with operational expectations and periodic measurement of actual versus desired performance levels.

The board has delegated the responsibility for the governance of technology and information to Coronation executives. The executives approve the direction for how technology and information should be managed and is supported by the operations committee (OPSCO), the IT steering committee and the Project Prioritisation Forum.

In addition, the board has mandated the audit and risk committee to oversee the adequate and effective risk management and system of internal control, including those pertaining to technology.

The organisational and governance structure is illustrated in the following visual.



We also set up ad hoc committees to deal with specific technology projects.

PARTY	ROLE AND RESPONSIBILITY
<b>Coronation board</b>	<ul style="list-style-type: none"> <li>➤ Sets strategic goals and objectives for the business including technology- and information-related goals and objectives</li> <li>➤ Evaluates and approves significant technology- and information-related initiatives</li> <li>➤ Exercises ongoing oversight of technology and information management</li> <li>➤ Evaluates the effectiveness of the company's technology and information arrangements, including outsourced services, in achieving strategic objectives</li> <li>➤ Monitors implementation of significant technology initiatives/projects</li> <li>➤ Monitors the management of technology-related risks, including cyber risk, with the support of the audit and risk committee</li> </ul>
<b>Audit and risk committee</b>	<ul style="list-style-type: none"> <li>➤ Monitors the management of technology- and information-related risks, including cyber risk</li> <li>➤ Oversees technology-, IS- and information-related assurance</li> </ul>
<b>Coronation executives</b>	<ul style="list-style-type: none"> <li>➤ Establishes the target business and operating model to achieve strategic goals established by the board</li> <li>➤ Responsible for implementation and execution of effective technology and information management within the business</li> <li>➤ Approves significant technology- and information-related initiatives prior to seeking the board approval to implement</li> <li>➤ Oversees major technology and information projects</li> </ul>
<b>Operations committee</b>	<ul style="list-style-type: none"> <li>➤ Drives implementation of technology- and information-related projects</li> <li>➤ Recommends technology-related projects to executives based on strategic goals and objectives</li> <li>➤ Oversees end-user acceptance of technology</li> <li>➤ Responsible for the operational management of technology and information</li> </ul>
<b>IT steering committee</b>	<ul style="list-style-type: none"> <li>➤ Drives implementation of appropriate technology infrastructure to support business and objectives</li> <li>➤ Advises on technology-related risks faced by the business</li> <li>➤ Acts as an advisor to the business in respect of technology and information</li> </ul>
<b>Project prioritisation forum</b>	<ul style="list-style-type: none"> <li>➤ Prioritises and optimises efficient delivery of approved projects</li> </ul>

## Key areas of focus in 2017

During the period, the major focus areas were:

### Enhancing client service

To further our strategic objective of excellent client service, we launched various initiatives.

Our key focus within this area of our business has been the implementation of a new unit holder register (in collaboration with Maitland), in-housing client correspondence and rolling out a new customer relationship management platform within our retail business. This will allow us to assume responsibility for all retail client communication and to build scalable and customisable communication platforms, tailored to client profiles and preferences.

These new systems successfully went live in November 2017.

### The management of technology risks

Coronation's key technology risks are detailed on → [Pages 100 to 101](#). During the past year, there was no material breach of our IT and IS security processes to manage these risks.

### Implementing our new administration model

Following a detailed strategic review, we determined that significant changes were required to our outsourced administration model to enable us to continue to provide our clients with world-class services. The most significant elements of the new model are as follows:

- Asset administration services
  - › Consolidation of our outsourced administration services with a single service provider; and
  - › Insourcing of certain functions which are currently outsourced.
- Transfer agency
  - › Planning for the integration with the new transfer agency.

In the past year, significant IT resources were dedicated to establish the new model, specifically:

#### ➤ The transfer of administration services to JP Morgan and establishing a new in-house function

Following a due diligence process, we established that JP Morgan, which currently administers our international products, would be the most appropriate single service provider for all our products, including our South African products. Accordingly, in the past year, we initiated the planned transfer of the administration of our domestic products to JP Morgan.

In addition, we decided to create a new in-house function that can broadly be described as 'middle office' which will include: matching and settlement (with an appropriate trade support function), corporate actions processing; and proxy voting processing.

Sizeable technology resources were devoted to establishing the foundation for implementing a world-class 'middle office' function. This included implementing the required infrastructure to install and develop suitable software solutions.

Significant progress has been made. We are on track to meet our objective of a successful transition to JP Morgan and for our middle office to be operational by the third quarter of 2018. This will be a key focus area during the next financial year.

#### ➤ The migration of our transfer agency services

As part of our new administration model, Coronation has supported the creation of a new black-owned transfer agency business.

Significant resources, in terms of both people and technology, are being dedicated to support this new venture. Migration to the new transfer agency service will be a major focus for the next 18 months.

**We measure the value added by our IT strategy and investments against the following benchmarks:**

- Improvements in client service and meeting the evolving needs of clients
- De-risking of the business
- The scalability and flexibility of systems
- Operational efficiencies and cost savings
- Platform stability

Outcomes are measured through active monitoring and feedback from clients and intermediaries. Our evaluation of our performance against these benchmarks is favourable. We remain

committed to ensuring that they are met through our efficient delivery of sustainable, scalable technology solutions.

**IT risk management**

We consider technology risks as part of our overall risk assessment. These risks are incorporated in an annual operational risk assessment and material IT/IS risks are escalated to the key risk register which is submitted to the audit and risk committee. The committee also reviews regular reports on information technology and systems risk. Key technology risks are detailed below:

RISK	MITIGATION STRATEGIES
<b>Security of information</b>	We monitor and protect security of information through various measures, including file tracking and monitoring, data loss prevention software, access controls, approval processes and backup controls. Coronation's Security Operations Centre monitors these measures. Coronation has implemented software to identify cyber attacks in real time. A summary of these attempts is reported to the audit and risk committee.
<b>Disaster recovery and business continuity</b>	Coronation has an established Business Continuity and Disaster Recovery Plan.  Disaster recovery tests are conducted annually and the results are reviewed by the audit and risk committee. An integral component of our business continuity planning involves the assessment of potential disruptive events that could affect normal working operations. These scenarios are workshopped with the relevant business heads to agree on the most appropriate response that will ensure business continuity.
<b>Cyber security risk</b>	This includes the loss of data confidentiality, availability and integrity as a result of unauthorised access to systems. Cyber risk is holistically managed across people, process and technology. This includes enforcing appropriate policies, ongoing employee awareness and employing technology to prevent and/or detect potential or actual threats to the security of the environment. Vulnerability management occurs on an ongoing basis on both the server and desktop environments. In addition, independent subject matter experts perform penetration testing at regular intervals, and the implementation of recommendations are closely monitored.
<b>Third-party supplier risk</b>	A significant number of operational procedures have been designed to exercise adequate and effective oversight over these third parties. These operational processes are audited annually. In addition, periodic due diligence is performed on material service providers in terms of a defined Service Provider Framework. Feedback on IT due diligence performed on material service providers is distributed to the audit and risk committee. Third-party ISAE 3402 reports are regularly obtained and distributed to the chairperson of the audit and risk committee. Coronation reviews daily diagnostic reports and incident logs from service providers.



RISK	MITIGATION STRATEGIES
Duplicate and inconsistent data	Data have been migrated to a new data warehouse which has improved control functionality and data governance, as well as ownership reporting capabilities.
Failure to resolve data validation and integration errors between internal and external systems accurately and in a timely manner	We have a number of procedures in place for the early detection and resolution of variances, including automated and manual reconciliations that are performed to detect variances, as well as an alert system on automated errors.
Unavailability of cloud-based solutions	Redundant connectivity has been built into email, internet and telephone lines. Strong relationships are maintained with vendors, which is monitored through constant evaluation. In addition, clear escalation paths are defined and cloud due diligence assessments are performed.
Inability to recruit IS employees with the relevant skills and experience	Coronation has talent management initiatives (detailed on → <a href="#">Pages 59 to 61</a> ) to attract highly skilled employees. In the event that it is not possible to recruit IS employees of suitable skills and experience, an insourcing arrangement will be entered into.
Failure to upgrade or replace key systems and infrastructure to meet changing business needs/business priorities	An Information Systems Strategy is in place, which governs the replacement strategy of key systems and the achievement of business requirements. Furthermore, IT and IS report to the COO, which facilitates alignment between business and technology.
Failure to secure client and other confidential data on mobile devices	A Mobility and Bring Your Own Device (BYOD) Policy is in place, enforcing password controls on mobile devices. Our systems also have the ability to remotely clear and secure mobile phones.

The IT general control environment is annually assured in accordance with ISAE 3402 (KPMG). In addition, specific IT/IS reviews are performed by PricewaterhouseCoopers. The results of these reviews are reported to the audit and risk committee.

### Future focus

- Bedding down the outsourcing structure to JP Morgan and the insourcing of functions, while introducing enhancements to the systems.
- The wider roll-out of CRM systems, improved automation and workflow.
- Effective management of software vendors.
- The management and security of data will continue to be a priority.
- Implementing a Protection of Personal Information (POPI) framework.

# 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 2017 R MILLION	30 SEPT 2016 R MILLION	% CHANGE
<b>Fund management activities</b>			
<b>Revenue</b>	<b>3 919</b>	4 046	(3)
Other income	6	20	
<b>Operating expenses</b>	<b>(1 934)</b>	(2 019)	(4)
Share-based payment expense	(6)	(7)	
Other expenses	(1 928)	(2 012)	
<b>Results from operating activities</b>	<b>1 991</b>	2 047	(3)
Finance and dividend income	37	35	
Finance expense	(23)	(22)	
Share of profit of equity-accounted investee	8	9	
<b>Profit from fund management</b>	<b>2 013</b>	2 069	(3)
<b>Income attributable to policyholder linked assets and investment partnerships</b>	<b>2</b>	20	
Net fair value gains on policyholder and investment partnership financial instruments	45	58	
Administration expenses borne by policyholders and investors in investment partnerships	(43)	(38)	
<b>Profit before income tax</b>	<b>2 015</b>	2 089	(4)
<b>Income tax expense</b>	<b>(492)</b>	(515)	
Taxation on shareholder profits	(490)	(495)	
Taxation on policyholder investment contracts	(2)	(20)	
<b>Profit for the year</b>	<b>1 523</b>	1 574	(3)
<b>Other comprehensive income (to be reclassified to profit and loss in future periods)</b>	<b>67</b>	37	
Foreign currency translation differences for foreign operations	(24)	(8)	
Net change in fair value of available-for-sale financial assets	91	45	
<b>Total comprehensive income for the year</b>	<b>1 590</b>	1 611	
<b>Profit attributable to:</b>			
– equity holders of the company	1 523	1 574	(3)
– non-controlling interest	–	–	
<b>Profit for the year</b>	<b>1 523</b>	1 574	
<b>Total comprehensive income attributable to:</b>			
– equity holders of the company	1 590	1 611	(1)
– non-controlling interest	–	–	
<b>Total comprehensive income for the year</b>	<b>1 590</b>	1 611	
<b>Earnings per share (cents)</b>			
– basic	435.4	450.0	(3)
– diluted	435.4	450.0	(3)
<b>Note to the statement of comprehensive income</b>			
<b>Headline earnings per share (cents)</b>			
– basic	437.5	447.6	(2)
– diluted	437.5	447.6	(2)
<b>Dividend per share (cents)</b>			
– interim	220.0	229.0	(4)
– final	217.0	218.0	(0)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 SEPT 2017 R MILLION	30 SEPT 2016 R MILLION
<b>Assets</b>		
Intangible assets	1 088	1 088
Equipment	21	31
Investment in equity-accounted investees	39	37
Deferred tax asset	171	162
Investments backing policyholder funds and investments held through investment partnerships	55 721	64 007
Investment securities	934	1 097
Trade and other receivables	558	498
Cash and cash equivalents	564	538
<b>Total assets</b>	<b>59 096</b>	<b>67 458</b>
<b>Liabilities</b>		
Long-term borrowings (note 3)	150	150
Deferred tax liabilities	24	25
Policyholder investment contract liabilities and liabilities to holders of interests in investment partnerships	55 718	63 988
Short-term portion of long-term borrowings (note 3)	150	150
External investors in consolidated funds	-	269
Taxation payable	35	4
Trade and other payables	747	694
<b>Total liabilities</b>	<b>56 824</b>	<b>65 280</b>
<b>Net assets</b>	<b>2 272</b>	<b>2 178</b>
<b>Equity</b>		
Share capital and premium	256	256
Retained earnings	1 607	1 586
Reserves	243	200
Total equity attributable to equity holders of the company	2 106	2 042
Non-controlling interest in consolidated funds (note 5)	166	136
<b>Total equity</b>	<b>2 272</b>	<b>2 178</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R MILLION	SHARE CAPITAL AND PREMIUM	FOREIGN CURRENCY TRANS- LATION RESERVE
<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
<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		(24)
Revaluation of available-for-sale financial assets		
Total other comprehensive income	–	(24)
<b>Total comprehensive income for the year</b>	–	(24)
<b>Transactions with owners recorded directly to equity</b>		
Share-based payments		
Transfer to retained earnings		
Dividends paid		
Change in non-controlling interest in consolidated funds (note 5)		
<b>Total transactions with owners</b>	–	–
<b>Balance at 30 September 2017</b>	256	131

RETAINED EARNINGS	SHARE- BASED PAYMENT RESERVE	REVALUA- TION RESERVE	ISSUED CAPITAL AND RESERVES ATTRI- BUTABLE TO EQUITY HOLDERS OF THE COMPANY	NON- CON- TROLLING INTEREST	TOTAL EQUITY
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
1 523			1 523		1 523
			(24)		(24)
		91	91		91
-	-	91	67	-	67
1 523	-	91	1 590	-	1 590
	6		6		6
30	(30)				
(1 532)			(1 532)		(1 532)
				30	30
(1 502)	(24)	-	(1 526)	30	(1 496)
1 607	5	107	2 106	166	2 272

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	30 SEPT 2017 R MILLION	30 SEPT 2016 R MILLION
<b>Cash flows from operating activities</b>		
Profit from fund management	2 013	2 069
Non-cash and other adjustments	15	27
<b>Operating cash flows before changes in working capital</b>	<b>2 028</b>	<b>2 096</b>
Working capital changes	(5)	(18)
Cash flows from policyholders and investment partnership activities	(977)	833
<b>Cash generated from operations</b>	<b>1 046</b>	<b>2 911</b>
Interest paid	(23)	(22)
Income taxes paid	(454)	(502)
<b>Net cash from operating activities</b>	<b>569</b>	<b>2 387</b>
<b>Cash flows from investing activities</b>		
Finance and dividend income	37	35
Acquisition of equipment	(10)	(13)
Net disposal/(acquisition) of investment securities	9	(13)
<b>Net cash from investing activities</b>	<b>36</b>	<b>9</b>
<b>Cash flows from financing activities</b>		
Dividends paid	(1 532)	(1 745)
<b>Net cash from financing activities</b>	<b>(1 532)</b>	<b>(1 745)</b>
 <b>(Decrease)/increase in cash and cash equivalents</b>	 <b>(927)</b>	 <b>651</b>
Net increase/(decrease) in cash and cash equivalents – shareholders	50	(182)
Net (decrease)/increase in cash and cash equivalents – policyholders and investment partnerships	(977)	833
 <b>Cash and cash equivalents at beginning of period</b>	 <b>9 210</b>	 <b>8 567</b>
Cash and cash equivalents at beginning of period – shareholders	538	728
Cash and cash equivalents at beginning of period – policyholders and investment partnerships	8 672	7 839
 <b>Effect of exchange rate fluctuations on cash held</b>	 <b>(24)</b>	 <b>(8)</b>
 <b>Cash and cash equivalents at end of period</b>	 <b>8 259</b>	 <b>9 210</b>
Cash and cash equivalents at end of period – shareholders	564	538
Cash and cash equivalents at end of period – policyholders and investment partnerships	7 695	8 672

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 2017 R MILLION	30 SEPT 2016 R MILLION
Earnings attributable to shareholders	1 523	1 574
Non-controlling interest	–	–
<b>Earnings attributable to ordinary shareholders</b>	<b>1 523</b>	<b>1 574</b>
Loss/(profit) on disposal of financial assets available for sale	7	(7)
Profit on disposal of group operations	–	(2)
<b>Headline earnings attributable to ordinary shareholders</b>	<b>1 530</b>	<b>1 565</b>

## CONDENSED CONSOLIDATED SEGMENT REPORT

R MILLION	AFRICA		INTERNATIONAL		GROUP	
	30 SEPT 2017	30 SEPT 2016	30 SEPT 2017	30 SEPT 2016	30 SEPT 2017	30 SEPT 2016
Segment external revenue	2 525	2 690	1 394	1 356	3 919	4 046
Segment operating expenses	(1 461)	(1 501)	(473)	(518)	(1 934)	(2 019)
Segment profit	1 064	1 189	921	838	1 985	2 027
Share of income of equity-accounted investee	8	9	–	–	8	9
Net finance and other income/(expenses)	17	36	3	(3)	20	33
Profit from fund management	1 089	1 234	924	835	2 013	2 069
Income*					2	20
Profit before income tax					2 015	2 089
Segment assets	1 626	1 286	451	878	2 077	2 164
Investments*					57 019	65 294
Total assets					59 096	67 458

\* Income and investments are attributable to and backing policyholder funds and investments held through investment partnerships, consolidated funds 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 Limited, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, as well as the South African Companies Act, Act 71 of 2008. The condensed consolidated financial statements do not include all of the information required for 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 consolidated financial statements are in terms of IFRS and, with the exception of the early adoption of IFRIC 23: Uncertainty over income tax treatments, are consistent with those presented in the previous annual financial statements. The early adoption of IFRIC 23: Uncertainty over income tax treatments has had no impact on the condensed consolidated financial statements. Please see note 6 for more information regarding the relevant uncertain income tax treatments for this reporting period.

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 2016. 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 R150 million capital repayments due on 31 March 2018 and 1 April 2020. The latter was previously due on 31 March 2017, with the terms now renegotiated.

### 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.
- 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 counterparty credit risk. The fair value of policyholder and investment partnership liabilities that are included in Level 2 of the hierarchy are measured with reference to the quoted prices in an active market of the investments underlying the liabilities. Cash and cash equivalent balances along with their related liabilities of R2 253 million (R2 170 million: 30 September 2016) 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 (unobservable inputs).

R MILLION	LEVEL 1 RESTATED*	LEVEL 2 RESTATED*	LEVEL 3	TOTAL
<b>September 2017</b>				
Investments backing policyholder funds and investments held through investment partnerships	46 960	6 508	–	53 468
Investment securities	933	–	1	934
	<b>47 893</b>	<b>6 508</b>	<b>1</b>	<b>54 402</b>
Policyholder, external investor and investment partnership liabilities	–	53 465	–	53 465
<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	269	61 818	–	62 087

\* Policyholder, external investor and investment partnership liabilities to the value of R54 520 million as at 30 September 2016 previously categorised as Level 1 have been restated as Level 2. These changes have been made to more appropriately reflect the nature of the fair value of the liability.

During the current year, a net amount of R222 million in debentures were transferred from Level 1 to Level 2 as these are now considered to be held in an inactive market.

Fair value for all other financial assets and liabilities have not been presented because they are not carried at fair value and their carrying amounts 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 Coronation Global Frontiers Fund. The group's interest in the Coronation Global Equity Select Fund was diluted in the period and the fund is no longer consolidated. Investment securities and external investors in consolidated funds were reduced by R269 million on deconsolidation.

### 6. Contingent liabilities: South African Revenue Service (SARS) matters

From time to time, in common with other organisations, companies in the group are subject to review by SARS. One of our companies has been the subject of a review on a matter of principle relating to international operations, and assessed for the 2012 financial period, to which management strongly disagrees and has objected. Management is confident, supported by external advisors, of the company's position and an outflow is not considered probable should the matter be interpreted by a court of law, the ultimate tax authority on these matters. Any amounts involved are currently not considered capable of reliable estimation.

# NOTICE TO SHAREHOLDERS

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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 44th annual general meeting ('Meeting') of Coronation Fund Managers Limited ('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, 20 February 2018, at 10:00.

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 Friday, 22 December 2017, 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, 9 February 2018, 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, 6 February 2018.

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 2017, together with the reports by the directors, the external auditor and the Audit and Risk Committee were approved by the board of directors of the Company (the Board) on 21 November 2017, and is available on the Company's website [www.coronation.com](http://www.coronation.com). A summarised version thereof is also reflected on → [pages 102 to 109](#) 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 of the Board 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**

#### **Ordinary resolution number 1: Re-election of directors**

- a) To re-elect, by way of a separate vote, Mr Samsodein Pather (Shams), who retires by rotation in accordance with the provisions of the Company's Memorandum of Incorporation ('MOI'), but is eligible and available for re-election.
- b) To re-elect, by way of a separate vote, Ms Judith February who retires by rotation in accordance with the provisions of the Company's MOI, but is eligible and available for re-election.
- c) To re-elect, by way of a separate vote, Mr Anton Pillay who retires by rotation in accordance with the provisions of the Company's MOI, but is eligible and available for re-election.

A profile in respect of each candidate is set out on → [pages 78 and 79](#) of the Integrated Annual Report. The re-election 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 if the majority of the voting rights exercised support the candidate.

#### **Explanatory note**

To re-elect the directors who retire by rotation in terms of the MOI of the Company read with the Listings Requirements of the JSE Limited ('Listings Requirements').

#### **Ordinary resolution number 2: Re-appointment of auditor**

To re-appoint, as recommended by the Audit and Risk Committee of the Board, Ernst & Young Inc. as the Company's registered auditor and to note Ms Leigh-Ann Killin as the designated audit partner.

#### **Explanatory note**

The Company, being a public company listed on the Johannesburg Stock Exchange ('JSE'), a licensed exchange, 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.

### Ordinary resolution number 3: Re-election and/or appointment of the members of the Audit and Risk Committee

To re-elect and/or appoint the Audit and Risk Committee of the Board 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) Ms Lulama Boyce for appointment
- c) Mr John David McKenzie (Jock) for re-election
- d) Dr Hugo Anton Nelson for re-election

A profile in respect of each candidate recommended for re-election and/or appointment to the Audit and Risk Committee is contained on → [pages 78 and 79](#) 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 Meeting of the Company in terms of the Act.

### Ordinary resolution number 4: Non-binding advisory vote – endorsement of the remuneration policy

To consider and endorse, by way of a non-binding advisory vote the Company's remuneration policy on → [pages 66 to 69](#) of the Company's Integrated Annual Report for the year ended 30 September 2017.

#### Explanatory note

The Company's remuneration policy has been tabled for a non-binding advisory vote at the Meeting to allow shareholders an opportunity to express their views on the remuneration policy adopted by the Company by casting their vote thereon. The vote is of an advisory nature only and will not be binding. In the event that 25% or more of the shareholders vote against the Company's remuneration policy, the Company will follow an engagement process with shareholders as described on → [page 66](#) of the Company's Integrated Annual Report for the year ended 30 September 2017.

### Ordinary resolution number 5: Non-binding advisory vote – endorsement of the remuneration implementation report

To consider and endorse, by way of a non-binding advisory vote the Company's remuneration implementation report on → [pages 70 to 76](#) of the Company's Remuneration Report for the year ended 30 September 2017.

#### Explanatory note

The Company's implementation report has been tabled for a non-binding advisory vote at the Meeting to allow shareholders an opportunity to express their views on remuneration implementation report adopted by the Company by casting their vote thereon. The vote is of an advisory nature only and will not be binding. In the event that 25% or more of the shareholders vote against the Company's remuneration policy, the Company will follow an engagement process with shareholders as described on → [page 66](#) of the Company's Integrated Annual Report for the year ended 30 September 2017.

## SPECIAL RESOLUTIONS

### Special resolution number 1: Inter-company financial assistance

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: Financial assistance for inter-company share acquisitions

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 board 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.

### Special resolution number 3: Correction of prior special resolution number 3 adopted on 14 February 2017 and ratification of payments already made

To consider and resolve that with effect from 14 February 2017:

- the remuneration paid by the Company to its non-executive directors for the financial year ended 30 September 2017 (as was set out in Special Resolution Number 3 adopted at the 2017 annual general meeting of the Company), be and is hereby amended by replacing the amounts that appeared in that Special Resolution Number 3 with the amounts set out in the table below in the column headed "Correct fees for the year ending 30 September 2017 R'000"; and
- if and to the extent that the Company, as at the date of these resolutions, has already performed any of the conduct contemplated herein by effecting remuneration to its non-executive directors in the amount/s as was reflected in the consolidated audit financial statements of the Company for the financial year ended 30 September 2017, such conduct be, and is hereby ratified and approved.

	PREVIOUSLY APPROVED FOR YEAR ENDED 30 SEPTEMBER 2017 R'000	CORRECT FEES FOR YEAR ENDED 30 SEPTEMBER 2017 R'000
<b>Basic Annual fee</b>	<b>96.0</b>	<b>103.0</b>
<b>Attendance fees per meeting</b>		
Board – chairman	80.0	85.6
Board – non-executive director	46.0	49.0
Audit and risk committee – chairman	75.0	80.0
Audit and risk committee – non-executive director	46.0	49.0
Social, ethics and transformation committee – chairman	55.0	59.0
Social, ethics and transformation committee – non-executive director	46.0	49.0
Remuneration and nominations committee – chairman	55.0	59.0
Remuneration and nominations committee – non-executive director	46.0	49.0
Invitee fees for all committees – non-executive director	23.0	24.6

#### Explanatory note

Special resolution number 3 passed by the shareholders of the Company at the 2017 annual general meeting (the "2017 Special Resolution") must be amended as it contained an unintentional, inadvertent error in that the historical remuneration for non-executive directors for the year ended 30 September 2016 was incorrectly transposed into the resolution rather than reflecting the proposed remuneration for the year ended 30 September 2017. The reason for special resolution number 3 is accordingly (i) to obtain the shareholders' approval for the correction of the 2017 Special Resolution with retrospective effect to 14 February 2017 (being the date upon which the 2017 Special Resolution was approved) and (ii) to ensure that the Company was duly authorised to effect the remuneration to its non-executive directors for the financial ended 30 September 2017 as was reflected in the consolidated financial statements of the Company for its financial year ended 30 September 2017.

## Special resolution number 4: Remuneration of non-executive directors' fees

To approve the remuneration to be paid by the Company to its non-executive directors for their services as directors in respect of the year ending 30 September 2018, of the following amounts:

	YEAR ENDING 30 SEPTEMBER 2018 R'000
<b>Basic Annual fee</b>	<b>118.0</b>
<b>Attendance fees per meeting</b>	
Board – chairman	94.0
Board – lead independent non-executive	60.0
Board – non-executive director	53.0
Audit and risk committee – chairman	88.0
Audit and risk committee – non-executive director	53.0
Social, ethics and transformation committee – chairman	65.0
Social, ethics and transformation committee – non-executive director	53.0
Remuneration and nominations committee – chairman	65.0
Remuneration and nominations committee – non-executive director	53.0
Invitee fees for all committees – non-executive director	26.5

### Explanatory note

To approve the remuneration to be paid for the year ending 30 September 2018 by the Company to non-executive directors of the Company, as required in terms of section 66(9) of the Act.

## Special resolution number 5: Share repurchases by the company and its subsidiaries

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 repurchase 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 5 is that the Board 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 of the Company. 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 5 if, after the Board 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 5, 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 45](#) of the Integrated Annual Report).

Share capital (→ [page 37](#) in the Annual Financial Statements).

Other than the facts and developments reported on in the Annual Financial Statements, there have been no material changes in the affairs, and in the financial or trading position of the Group since the financial period ended 30 September 2017 and the signature date of this notice.

The directors, whose names are set out on → [pages 78 and 79](#) of the Integrated Annual Report, collectively and individually accept full responsibility for the accuracy of the information contained in special resolution number 5 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 this notice contains all information required by law and the Listings Requirements.

## **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 shareholders are requested to deliver the completed form of proxy to 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). The aforementioned process and timeline are not prescriptive and have been put in place purely to facilitate administrative ease for the delivery and receipt of proxy voting forms. Proxy forms may therefore also be handed to the Chairman at the Meeting at any time prior to the commencement of voting at the Meeting on the particular resolution(s) to which the proxy relates.

## 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. at least by Friday, 9 February 2018) 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

20 December 2017

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

# FORM OF PROXY

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

For use at the 44th 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, 20 February 2018, at 10:00 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 above-mentioned 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		
	As set out in the notice to shareholders, I/we desire to vote and/or abstain from voting as follows:	Vote for	Vote against	Abstain
	<b>Ordinary resolutions</b>			
1.	Re-election of directors			
	a) Mr Samsodein Pather (Shams)			
	b) Ms Judith February			
	c) Mr Anton Pillay			
2.	Re-appointment of auditor			
3.	Re-election and/or appointment of the members of the Audit and Risk Committee:			
	a) Prof Alexandra Watson			
	b) Ms Lulama Boyce			
	c) Mr John David McKenzie (Jock)			
	d) Dr Hugo Anton Nelson			
4.	Non-binding advisory vote to endorse the Company's remuneration policy			
5.	Non-binding advisory vote to endorse the Company's remuneration implementation report			
	<b>Special resolutions</b>			
1.	Inter-company financial assistance			
2.	Financial assistance for inter-company share acquisitions			
3.	Correction of special resolution number 3 adopted on 14 February 2017 and ratification of payments already made			
4.	Remuneration of non-executive directors' fees			
5.	Share repurchases by the company and its subsidiaries			

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 Biermann Avenue, Rosebank 2196 (PO Box 61051, Marshalltown 2107), to be received by the transfer secretaries by not later than 10:00 on Friday, 16 February 2018. The aforementioned process and timeline are not prescriptive and have been put in place purely to facilitate administrative ease for the delivery and receipt of proxy voting forms. Proxy forms may therefore also be handed to the Chairman at the Meeting at any time prior to the commencement of voting at the Meeting on the particular resolution(s) to which the proxy relates.
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 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 or the chairman 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 proxies 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.

All information and opinions herein are of a general nature and are not intended to address the circumstances of any particular individual or entity. Accordingly, there may be limitations as to the appropriateness of any such information and opinions. It is therefore recommended that the reader first obtain the appropriate legal, tax, investment or other professional advice prior to acting upon information or opinions. Neither Coronation Fund Managers Limited nor any subsidiary of Coronation Fund Managers Limited (collectively "Coronation") is acting, purporting to act nor is it authorised to act in any way as an adviser. Any information or opinions contained herein may change and are expressed in good faith. Coronation does not undertake to advise any person if such information or opinions should change or become inaccurate. This document is for information purposes only and does not constitute or form part of any offer to the public to issue or sell, or any solicitation of any offer to subscribe for or purchase an investment, nor shall it or the fact of its distribution form the basis of, or be relied upon in connection with any contract for investment. In the event that specific unit trusts, funds and/or strategies (collectively "funds") and/or their performance is mentioned, please refer to the relevant fact sheet and/or MDD in order to obtain all the necessary information regarding that fund (<https://www.coronation.com/personal/funds-and-products/complete-fund-range-and-fact-sheets/#js-complete-fund-range>). Fund investments should be considered a medium- to long-term investment. The value of investments may go down as well as up, and is therefore not guaranteed. Past performance is not necessarily an indication of future performance. Fluctuations or movements in exchange rates may cause the value of underlying investments to go up or down. Funds are allowed to engage in scrip lending and borrowing. Performance is calculated by Coronation for a lump sum investment with income distributions, to the extent applicable, reinvested. Coronation Fund Managers Limited is a full member of the Association for Savings & Investment SA (ASISA). Coronation Asset Management (Pty) Ltd (FSP 548) and Coronation Investment Management International (Pty) Ltd (FSP 45646) are authorised financial services providers.

**For Unit Trusts:** All underlying price and distribution data is sourced from Morningstar. Performance figures are quoted after the deduction of all costs (including manager fees and trading costs) incurred within the unit trust. Note that individual investor performance may differ as a result of the actual investment date, the date of reinvestment of distributions and dividend withholding tax, where applicable. Annualised performance figures represent the geometric average return earned by the unit trust over the given time period. Where foreign securities are included in a unit trust it may be exposed to macroeconomic, settlement, political, tax, reporting or illiquidity risk factors that may be different to similar investments in the South African markets. Excessive withdrawals could place the unit trust under liquidity pressures, in such circumstances a process of ring-fencing of redemption instructions and managed pay-outs over time may be followed. A fund of funds unit trust invests in collective investment schemes that levy their own fees and charges, which could result in a higher fee structure for the unit trust. A feeder fund unit trust invests in a single fund of a collective investment scheme, which levies its own charges and could result in a higher fee structure for the feeder fund. Coronation Management Company (RF) (Pty) Ltd is a Collective Investment Schemes Manager approved by the Financial Services Board in terms of the Collective Investment Schemes Control Act. Unit trusts are traded at ruling prices set on every day trading. Forward pricing is used. Additional information such as fund prices, brochures, application forms and a schedule of fees and charges is available on our website, [www.coronation.com](http://www.coronation.com).

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