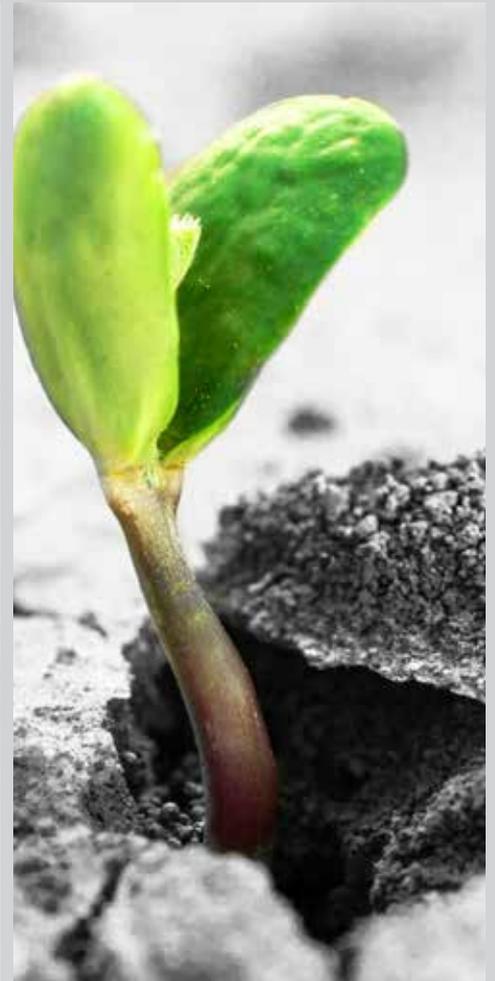


**MINEWORKERS
PROVIDENT FUND**



**INTEGRATED
ANNUAL REPORT
2 0 1 7**



OPTIMISING FOR SUSTAINABILITY

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ABOUT THIS REPORT

This is Mineworkers Provident Fund's (MWPF) integrated annual report for the year ended 31 December 2017 to provide feedback to our stakeholders. The report combines data related to MWPF's financial, social, environment and governance aspects on the Company's performance. The report is intended to explain our business, how we are governed, our strategy and how we have implemented it; and the results achieved during the reporting period. The most recently published report was for the year ended 31 December 2016.

Our approach to integrated reporting has been to gradually improve the integration of sustainability and financial performance reporting over the last few years. This year's report shows the link among capital employed in our business to create value; what is most important to us; and how we have performed against what we consider material.

We have been primarily guided when preparing this report by the International Integrated Reporting Framework; The King Code of Corporate Governance; The Financial Sector Conduct Authority (FSCA) and the South African's Pension Fund Act.

SCOPE AND BOUNDARY

This report covers the key events that took place from 1 January 2017 to 31 December 2017. Where external entities are part of our value chain and have a significant effect on our ability to create value, their effect or potential impact has also been discussed. All significant items disclosed are prepared on the same basis as the comparative periods, there have been no restatements.

The report includes summarised financial statements, the full set of financial statements is available on our website. Supplementary information that provides more detail to the information included in this integrated annual report is also available on our website at www.mwpf.co.za.

DETERMINING MATERIALITY

The material issues that have been identified and for which feedback on our performance has been discussed were determined as follows:

- Quantitative calculations;
- Review of strategic risk registers;
- Reports submitted to the Board and matters that the Board is most concerned about;
- Incorporated areas of concerns highlighted in the strategic review process; and
- Key performance objectives set for management for the following year.

COMBINED ASSURANCE

The annual financial statements have been audited by SizweNtsalubagobodo. An assurance approach has been adopted by obtaining assurance for non-financial information from management, internal audit and external independent third parties.

APPROVAL BY THE BOARD

The Board is responsible for the integrity of this integrated report. The Board applied its collective mind in preparation and presentation of the integrated report and is satisfied that the report is a fair and reasonable representation of Mineworkers' performance and prospects in accordance with the IR Framework.

FEEDBACK

For any questions or feedback regarding this integrated annual report or its contents, please contact Louwella Moeti on (010) 100 3000 or email lmoeti@mineworkers.co.za.

OUR VISION

To be the Retirement Fund of Choice in the Mining Industry

OUR MISSION

To provide Superior Service to our members and their beneficiaries

To provide sustainable and competitive retirement and auxiliary benefits to members, dependants/beneficiaries

To provide a standard setting corporate governance structure

To deliver superior market-related performance and efficient administration services

To provide dynamic and effective communication to our members and stakeholders

OUR VALUES

Respect, Dignity and Legacy

01

HOW WE PERFORMED IN 2017

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The mining sector remains the backbone of the South African economy and MWPF was created as a vehicle that would ensure that their retirement fund benefits are of the highest standards.

The Fund has spent the last 28 years providing superior service to members and their beneficiaries and to provide sustainable retirement benefits

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2017 HIGHLIGHTS

Total assets under management

↑ **25.77%**

over the past five years

Total amount of benefits paid

↑ **R2 078m**

by 10 064 active members

Investment returns over 12-month period

↑ **19.98%**

Annual contributions

↑ **R2 264m**

Net increase in active membership

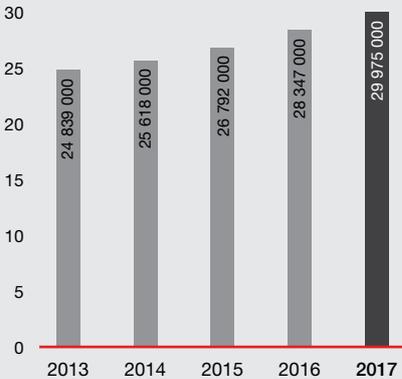
↑ **6%**

Exposure per previously disadvantaged asset manager handle

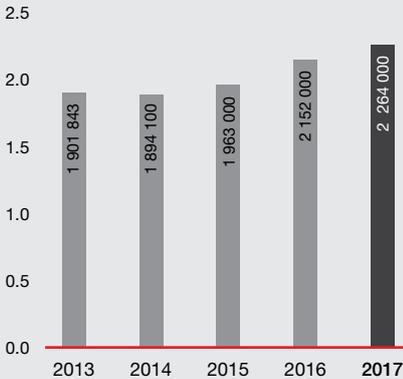
29.68%

of funds under management

TOTAL ASSETS (Rm)



ANNUAL CONTRIBUTIONS (Rm)



The overall staff turnover rate

12.7%

for 2017

Our external auditors have issued a clean audit opinion for seven years since self-administration

Returns for the composite portfolio were impressive at

10.79%

for the year

New revenue streams continue to grow year-on-year with the cumulative balance standing at over

R200 million

as at the end of the 2017 financial year

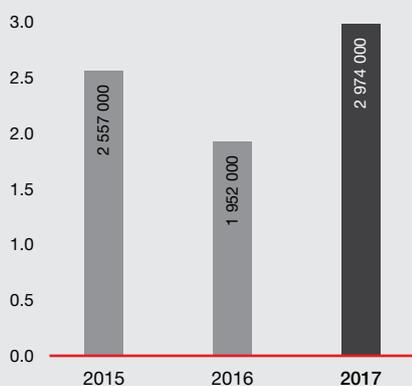
The Fund has maintained a positive cash flow throughout 2017 and interest earned from investments and cash holdings has increased by

300%

We focused our attention on increasing our building occupancy to above

60%

BENEFITS PAYMENTS (Rm)



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WHO WE ARE AND WHAT WE DO

MWPF was formed in 1989, with a clearly defined vision and strategic objectives which include being the retirement fund of choice in the mining industry but most importantly providing retirement benefits to the most vulnerable workers of our society – the mineworkers. Our core values as a Fund are Respect, Dignity and Legacy where we are driven by our desire to leave something of value for the next generations. This is based on the notion that just like other workers, mineworkers have the right to retire with dignity thus accounting for all the years of hard labour they put in.

Throughout the years we have focused our efforts on ensuring that we remain true to our founding principles of treating our members with respect and restoring their dignity.

In 2011, the Fund moved key services in-house and in 2012 new leadership came on board, improving administrative processes and establishing effective corporate governance. The Fund is now one of the few financial services companies that truly understands the needs of mineworkers.

Through tailored solutions and member centred product development we have consistently outperformed both our target benchmark as well as a number of well-established balanced portfolios with a similar risk profile.

OUR REASON FOR EXISTENCE

1877

Diamonds were discovered on the banks of the Orange River, along with a gold rush on the Witwatersrand. This year, the Chamber of Mines formed in Johannesburg.

1957

The National Pension Funds Act came into legislation.

1982

The National Union of Mineworkers was formed, lead by Cyril Ramaphosa, James Motlatsi and Elijah Barayi.

1987

Under the former apartheid administration, black miners did not have retirement benefits. Black mineworkers embarked on one of the most violent strikes the country has ever seen. More than 50 000 miners lost their jobs during this 21-day protest.

1989

The formation of the Mineworkers Provident Fund was a response to the injustice done to black miners. The Fund aimed to provide the means for black miners to retire with dignity. The National Union of Mineworkers was one of the key sponsors of the Mineworkers Provident Fund. In 1989 a deal was reached with the Chamber of Mines which paved the way for the establishment of MWPF.

1990

The first three Regional Advisory Committees were formed in Klerksdorp, Orange Free State and Witbank coal mines.

1996

The Mining Health and Safety Act comes into legislation.

2010

Mineworkers first independent trustee and chairperson was appointed as well as the first Chief Operating Officer.

2011

Mineworkers Provident Fund moves key services in-house.

2012

The Fund became a self-administered fund.

2017

To date Mineworkers Provident Fund has over 100 employees who remain committed to ensuring that mineworkers retire with dignity and beneficiaries of mineworkers are taken care of should they no longer be around to do so.

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OUR BOARD OF TRUSTEES



MARTIN KUSCUS
Independent Chairperson
Reappointment date:
15 June 2017
Appointment date:
12 November 2010



THOMAS KGOKOLO
Chairperson Audit and Risk
Management Committee
(Alternate Independent
Trustee)
Reappointment date:
31 March 2016
Appointment date:
31 March 2014



CALEB OVERMAYER
Employer Trustee
Appointment date:
1 March 2017



DUSTY NGWANE
Member Trustee
Reappointment date:
10 March 2016
Appointment date:
1 January 2013



EVA KEKANA
Member Trustee
Reappointment date:
27 June 2017
Appointment date:
27 March 2014



MADODA NHLANHLA
Member Trustee
Reappointment date:
1 June 2015
Appointment date:
8 May 2009



MIKE BROWNIE
Employer Trustee
Reappointment date:
1 October 2015
Appointment date:
9 April 2009



MOLEFI SEBITLO
Member Trustee
Reappointment date:
14 March 2016
Appointment date:
8 May 2009



PATRICK MATHIBELA
Employer Trustee
Appointment date:
1 November 2015



RICHARD MGUZULU
Member Trustee
Reappointment date:
27 June 2017
Appointment date:
27 March 2014



JOHN MOSEMENG
Employer Trustee
Reappointment date:
1 May 2017
Appointment date:
1 March 2016



JOSEPH MONTISETSE
Member Trustee
Appointment date:
14 March 2016



KENNY MTHAE
Employer Trustee
Reappointment date:
11 March 2016
Appointment date:
21 August 2008



LYDIA NKOPANE
Member Trustee
Appointment date:
14 March 2016



SERAME MAETLE
Member Trustee
Appointment date:
1 May 2016



STEPH WALL
Employer Trustee
Reappointment date:
1 September 2017
Appointment date:
1 September 2008



WESSEL DU TOIT
Employer Trustee
Reappointment date:
1 May 2016
Appointment date:
7 April 2010



WILLEM VAN HEERDEN
Employer Trustee
Reappointment date:
1 April 2016
Appointment date:
1 April 2013

OUR EXECUTIVE MANAGEMENT TEAM



MKUSELI MBOMVU
Chief Executive Officer

Qualifications:

Bachelor of Business Administration
Senior Management Development Programme
Community Adult Education Programme
Channel Leadership Programme



SAM BANDAH
Chief Financial Officer

Qualifications:

Association of Chartered Certified Accountants (ACCA)
London School of Accountancy 1980



NATHAN WILLIAMS
Chief Information Officer

Qualifications:

Certified Information Technology Specialist
Diploma of Information Technology Management
Lean Six Sigma Black Belt Professional
PRINCE2 Practitioner Certificate in Project Management
A+, N+, MCSE and MCITP Server Administrator
Advance Management Diploma



SANELE NYOKA
Chief Operations Officer

Qualifications:
BCom Economics and
Finance
Certificate in Project
Management



PHILDA MPHEPHU
Principal Officer

Qualifications:
LLB Degree
Business Acumen
Programme
Certified Financial Planner



**LUNGELO
SOLOMBELA**
Human Resources Executive

Qualifications:
Post Graduate Diploma in
Labour Law (PGDLL)
Higher Certificate in
Organisation Effectiveness
BTech Degree in Human
Resources

OUR BUSINESS MODEL

Everything we do is underpinned by

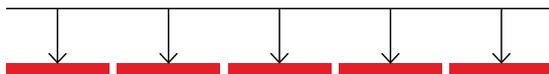
OUR GUIDING PURPOSE

which is to leave something behind for future generations by providing retirement benefits to the most vulnerable workers in society – the mineworkers

Our guiding purpose is carried out by our

GROWTH AGENDA

Our business model aims to preserve and grow our members' retirement benefits – facilitating generational benefits.



We provide value for money to our members.

We are a fund of choice in the industry and a low-cost operator.

We are passionate about providing dignity to our members.

We provide superior service.

Our staff are committed and share a strong sense of self belief.

1 WE INVEST FUNDS ...

We invest our members' contributions with the goal of preserving the purchasing power of their benefits. We aim to achieve a **rate of return of 4.5% above inflation.**

Our value creation story starts with **ACTIVE MINeworkERS** who entrust us to preserve and grow their retirement benefits



OUR MEMBERS ARE FROM

■ South Africa ■ Mozambique ■ Rest of Africa

Our activities at a high level:

1

Invest

2

Fund manage

3

Risk manage

4

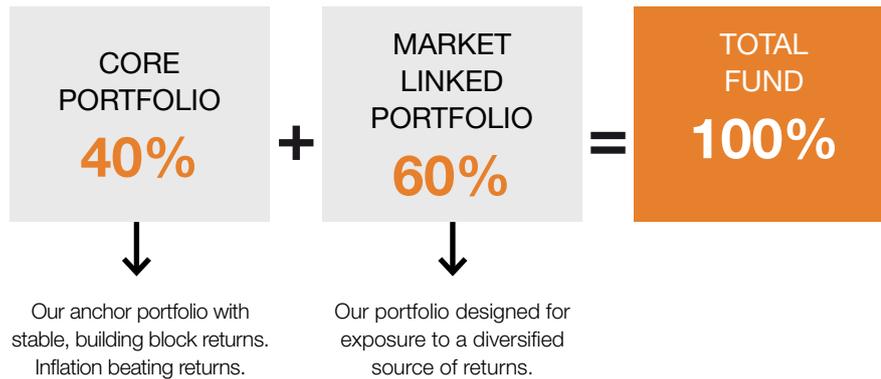
Grow

5

Distribute

2 THEN WE MANAGE THEM ...

To realise our goal, we manage the funds with a core-satellite approach, dividing our investments into two portfolios:



3 KEEPING A CLOSE EYE ON OUR RISKS ...

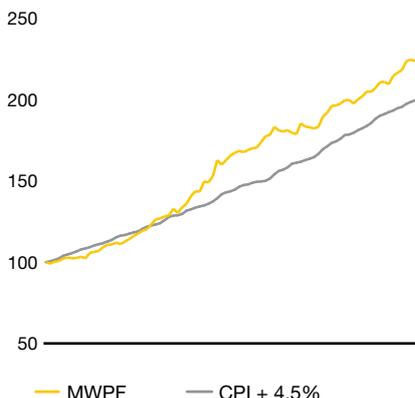
- We actively monitor risks that could affect the Fund's performance
- We set up control measures to combat risks

5 THAT WE ACTIVELY PAY AND DISTRIBUTE ...

- With the growth achieved in the Fund, we are able to pay our members and their beneficiaries
- We also trace unclaimed beneficiaries through our annual roadshows and permanent walk-in centres

4 AND ULTIMATELY CREATE GROWTH ...

To date, we have achieved steadily increasing growth for our members



... TO OUR RETIRED MINeworkERS

Our value creation story means we have spent the past **30 years** providing our retired mineworkers with dignified and secure retirements

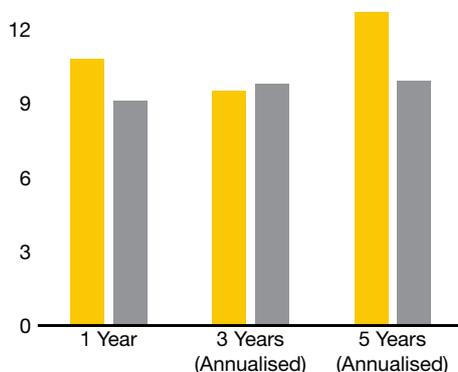


WHAT SETS US APART

MWPF Management has embarked on different strategies to ensure that the members and their beneficiaries are well taken care of and/or receive the best service from the Mineworkers Provident Fund in the following ways:

NO NEGATIVE GROWTH SINCE INCEPTION

- The primary objectives of the Fund are to earn a net investment return (after investment management fees) which exceed inflation as measured by the Consumer Price Index (CPI).
- Another primary objective is to earn the return in such a way that the member's benefits are not adversely affected by the market conditions ruling at the time of his/her exit (Inflation).
- Based on the above, there has never been a negative growth on the Fund's investments.



ACTIVE MEMBER ROADSHOWS

- The Fund conducted a research and the research concluded that there was a huge need for face-to-face contact. The Fund therefore shifted the focus during 2017, to direct contact sessions.
- The Fund embarked on national roadshows, reaching out not only to members, but also the communities in which members are based. In this way the Fund ensures that beneficiaries and dependants are also financially literate and able to act in the event of a member passing away or becoming disabled.
- During this active member roadshows emphasis is placed on member and beneficiary education. The active member roadshows also offer an opportunity to bring the Fund closer to the members and beneficiaries.
- Visibility is created, and the members and beneficiaries have a chance to speak to Fund representatives directly.



WALK-IN CENTRES

- There are seven walk-in centres in South Africa where Mineworkers staff is based to assist our members and beneficiaries with any Provident Fund-related issues.

7 WALK-IN CENTRES

**JOHANNESBURG
WALK-IN CENTRE**

**CARLETONVILLE
WALK-IN CENTRE**

**ORKNEY
WALK-IN CENTRE**

**WELKOM
WALK-IN CENTRE**

**WITBANK
WALK-IN CENTRE**

**QUEENSTOWN
WALK-IN CENTRE**

**MTHATHA
WALK-IN CENTRE**

OPENING OF MOZAMBIQUE WALK-IN CENTRE

- There is also one walk-in centre in Mozambique where our members can contact us without having to travel to South Africa.
- The office was launched during the period under review.
- The increasing demand for good service and direct contact with our members and beneficiaries, prompted the Fund to open a branch in Mozambique earlier this year. Opening a branch outside the borders of South Africa is a first for a fund operating in this industry. We are proud to be in a position to give widows, family members and beneficiaries of deceased MWPF members face-to-face service.



WHAT SETS US APART (CONTINUED)

UNCLAIMED BENEFITS ROADSHOWS

- The Fund has also introduced a mechanism where they assist our members and beneficiaries from the places which they reside.
- The Fund has also appointed tracing agents to help tracing the members and beneficiaries.
- Once the members are identified by the tracers, the Management ensure that an advert is made of MWPf being around the place on the specific dates provided. The advert also informs the former members and beneficiaries to prepare required documents.
- During the period under review, there was a Lesotho Roadshow where direct contact had to be established with members or beneficiaries of unclaimed benefits.
- The results were very good as we could collect documents and process the payments while we were at Lesotho.



FUND REWARDED FOR EXCELLENCE

- The Fund has been rewarded for excellence in member communication.
- The Fund was recognised in two separate categories for Large Funds and received awards for:
 - Communication Strategy: Best Practice Certificate (This is awarded to Funds that scored 75% or above for their entry).
 - Investment Practice: Best Practices Best in Class Trophy.
- The CFI.co judging panel commended MWPf on its dedication to operational excellence and adherence to highest standards of governance.
- The Fund received 2017 Best Pension Fund Transparency South Africa Award.



MESSAGE FROM THE CHAIRMAN

Our ultimate purpose is to support our members, by doing what we can to improve their lives through the delivery of superior returns.



Mineworkers Provident Fund's achievements and milestones for the year under review, many of which are set out in this report, would not have been possible without the foresight of our Board and the hard work of our people. We also recognise and value the continued support we received from our participating employers and sponsors. I would like to thank everyone in the organisation for their continued commitment and dedication to our members. I would also like to thank the Board for their work in guiding the progress of the organisation and supporting the wider MWPF vision and strategy.

Coming out of 2017, MWPF has built solid delivery platforms that created the service agility and capacity to take advantage of the opportunities and challenges that the next few years are likely to bring. The servicing and unclaimed benefits turnaround journey that began in 2013 is now yielding positive results as we have the strategy, the team, partnerships and the financial strength to give us a solid platform on which to target and serve our members.

The cornerstone of our strategy is Member-Centricity and leveraging our partnerships in the process of serving our members. It is this strength that enabled us to pay long-outstanding unclaimed benefits through avenues like MBOD and CCOD database sharing. But paying claims is only part of what we are here to do. Our ultimate purpose is to support our members, by doing what we can to improve their lives through the delivery of superior returns.

Our primary goal is to preserve the purchasing power of our members' retirement benefits and deliver investment returns in excess of inflation at the lowest possible level of risk. This is achieved through the adoption of a liability driven investment approach that allows MWPF to understand our membership profile, tailor solutions that will allow our members to retire comfortably and meet the Fund's future cash payments with a high degree of certainty.

Notwithstanding several corporate and political pitfalls endured through the course of 2017, equity markets ultimately shrugged such sentiments off to surprise all investors and end the year more than 20% higher. While the All Share Index continued to be propelled to ever new highs, peaking well above 60 000 during the year, 2017 proved to be the unexpected bull year for the equity market. Market participants continued to find reason to propel equity markets ever higher, whether it be strong earnings growth delivered by market favourites such as Naspers, or a "Ramaphosa the redeemer" relief rally.

Against this landscape, I believe that the organisations that will flourish will be those with the foresight, vision and confidence to tackle new challenges head-on, and those who are able to inform, and shape change themselves. We have worked hard to get to a position of strength – now we need to capitalise on it for the greater benefit of our members.

MWPF enters 2018 facing an exciting future with many opportunities and challenges. I feel blessed to have an opportunity to chair and lead a team that is endowed with qualities such as tenacity, integrity and a burning desire to serve our members.

We will be continuing our collaborative endeavours in 2018 and beyond in line with our vision in creating value for our members, stakeholders and staff.

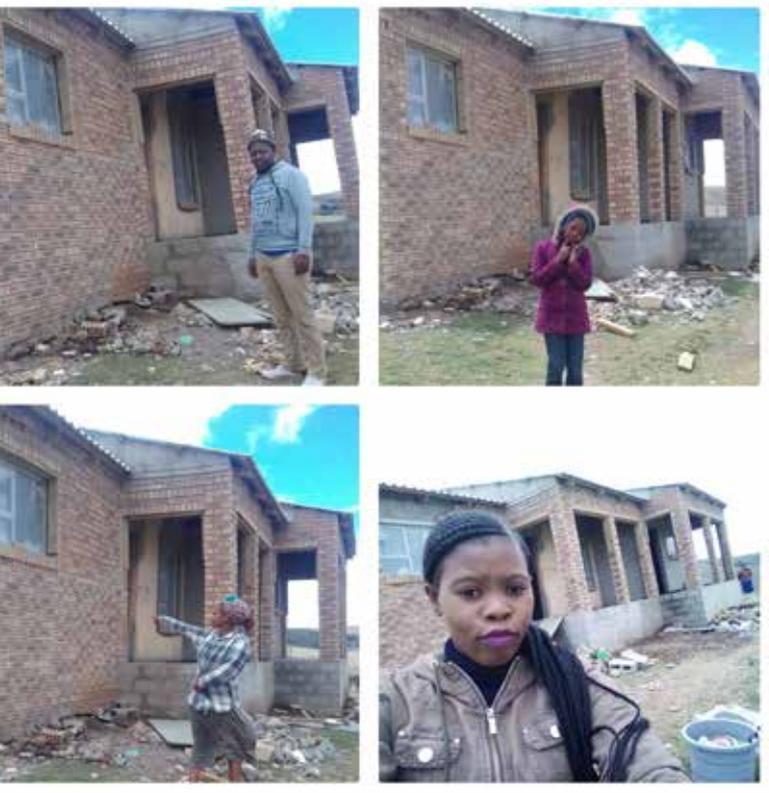
Martin Kuscus
MWPF Board Chairman

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THIS IS A STORY FROM A BENEFICIARY. CURRENTLY RENOVATING THEIR HOUSE FROM THE MONEY PAID OUT BY MWPF. HERE'S HER TESTIMONY.

I'm Alungile Mfiki, daughter of the late Matolo Christian Mfiki ubaba wam wasishiya nge 9 August 2017. Umama wasishiya nge 14 February 2018 elind imali zomyen wakhe.

Uthe uswelek kwakhe salamba ifamily Zisikhiphel ngaphand sigxotshwa ..siy safounel e officin sancedwa ngu mam Majali ..

Esinakekela njalo njesazakhela ikhaya bendsel ndiyekil eskolwen because bekungemnt ondisupportayo and financials ...kodua next year I'm going back to school.

Thanks to mam Majali and management.



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OUR KEY STAKEHOLDER GROUPS

MWPF takes a proactive approach to stakeholder engagement and, in line with our communication strategy, our aim is to achieve meaningful stakeholder engagement by focusing on three key objectives.

- Cement the role we play to each of our stakeholders.
- Create and sustain a positive image/reputation of Mineworkers Provident Fund.
- Encourage two-way participation with our key stakeholders.

We identify two broad stakeholder segments and depending on the type of stakeholder, we seek to engage or inform.

PRIMARY STAKEHOLDERS: MEMBERS

Stakeholder	Reason for engagement	Channel
Members	To inform and educate members about their retirement saving, benefits and rights under the Fund. To inform members of fund developments.	Newsletters, brochures, website, posters, sms, roadshows, social media, surveys, walk-in-centres, call centre.

SECONDARY STAKEHOLDERS: PARTNERS, REGULATORY/ INDUSTRY STAKEHOLDERS

First tier: Our partners

Stakeholder	Reason for engagement	Frequency of engagement	Responsible person
 Staff	To provide staff with strategic direction and keep them informed about the Fund activities. To ensure that MWPF is an inspiring environment to work in. To understand and respond to the needs and concerns of employees.	Ongoing and daily	Chief Executive Officer
 Employers	To provide relevant and timeous information relating to benefits, new regulations, Fund developments/ strategy. To maintain strong relationships.	Ongoing	Chief Executive Officer Principal Officer
 Board of trustees	The Board of the Fund's main responsibility is to provide strategic direction to the Fund in the interest of all our members. We engage with the Board on a regular basis through Board meetings and sub-committees of the Board.	Quarterly	Chief Executive Officer Principal Officer
 RAC	To communicate information relating to Fund benefits, investments, Fund strategy/developments and to also maintain strong relationships. To inform them of Fund developments.	Quarterly	Chief Executive Officer Principal Officer Executive Client Services
 Sponsors and Trade unions	To inform them of Fund strategy, investments, Fund developments. To maintain strong relationships.	Quarterly – and ongoing as required	Chairperson of the Board Chief Executive Officer Principal Officer
 Service providers	Our service providers are carefully selected based on their ability to help us achieve our operational objectives. We hold regular meetings with our service providers in order to keep the flow of information constant throughout our contract period.	As deemed necessary	Chief Executive Officer Principal Officer

Second tier: Regulatory or industry stakeholders

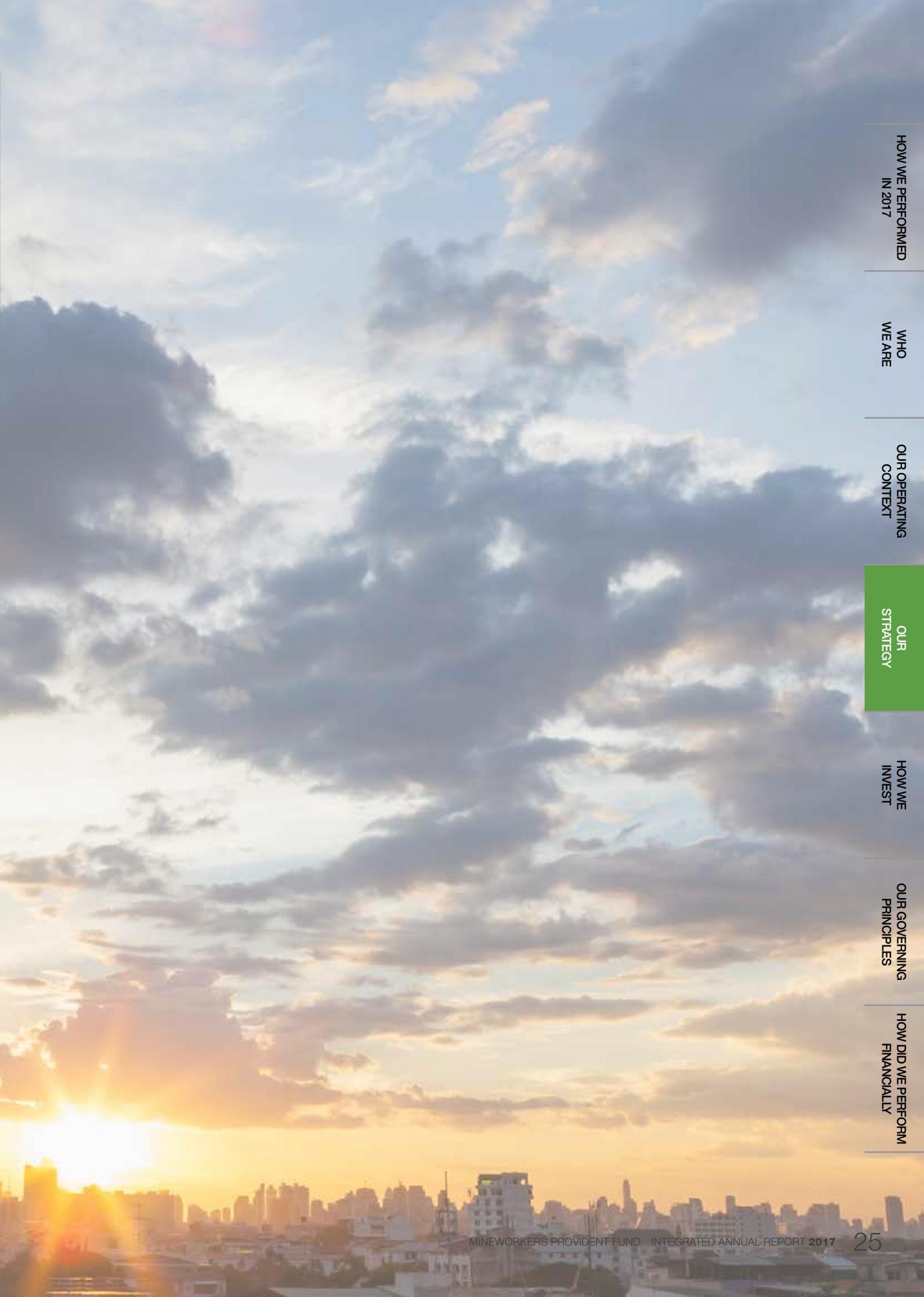
Stakeholder	Reason for engagement	Frequency of engagement	Responsible person
 Regulators	We abide by the recommendations that have been set out by the Financial Sector Conduct Authority and the regulations of the Pension Funds Act, 24 of 1956. We engage with the regulator through various channels.	Twice annually and as and when required	Chief Executive Officer Principal Officer, Chairperson of the Board and/or two Trustees
 Industry bodies	The Mineworkers Provident Fund is a member of one of the major industry bodies within South Africa, Batseta Council of Retirement Funds.	Quarterly meetings	Chief Executive Officer Principal Officer
 Government	The office of the presidency has taken a keen interest in unclaimed benefits in the mining sector. The Fund participates in meetings arranged with the Office of the Presidency and other government departments.	As and when required	Chief Executive Officer Principal Officer
 Department of Labour (Mozambique and Lesotho)	We engage with the Minister of Labour on a regular basis to increase awareness on the Fund, ensure we comply to the rules and regulations when communicating to members and reaching unclaimed benefits beneficiaries.	As and when required	Chief executive Officer Principal Officer Executive Client Services
 Media	To protect and manage the MWPF reputation. To communicate with relevant stakeholders and the broader public.	In response to business-related media queries	Principal Officer and Chief Executive Officer

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OUR CHIEF EXECUTIVE OFFICER'S REPORT



2017: THE YEAR THAT WAS

Strengthening our financial position, building effective servicing platforms and capabilities, as well as facilitating partnerships that would assist MWPF deliver best outcomes to our members, have been our overriding goals for this year.

These have been underpinned by a focus on ensuring that all of our activities create value for the organisation, our members, as well as stakeholders.

For us, creating member value is about delivering conscious Risk and Investment products that produce positive outcomes for our members at the lowest sustainable Unit Cost. It is also about driving up operational standards in areas such as operations, unclaimed benefits and benefit payments, and investing in our IT Systems so we can make the most of our assets.

Operational performance and member servicing

Unclaimed Benefits is an area that has fallen short of an acceptable standard for some time and this year we took steps to deliver fundamental, sustainable improvements. In particular we have stepped up our efforts in tracing our beneficiaries by investment significantly in a mobile office that can access even the most remote rural areas.

We also launched Employer Based Servicing where active members, widows and beneficiaries can now access our services from a one-stop environment. Our initial experience has been very encouraging, with a seamless handover points between our staff, HR practitioners in the mines, as well as our other partners like banks. In an effort to minimise fraud and risk, we also implemented and strengthened our employer portal which really allowed MWPF to increase our ability to automate claim processing.

Our people

We could not achieve our goals without our dedicated people. They shape our culture and our success is only possible because of their commitment to working by our values.

Fostering a workforce that reflects the diversity of our customers is very important to us. It gives us a breadth of experience that allows us to better serve the communities in which we operate. This year we moved from a staff satisfaction survey and implemented staff engagement survey.

Looking ahead

Coming out of the last financial year, MWPF has the agility and capacity to take advantage of the opportunities and challenges that the next few years are likely to bring. With the administration turnaround completed, the focus has moved firmly to ensuring that the organisation accelerates the optimisation of its capabilities in the creation of member value.

OUR STRATEGY

Our Board and Executive members are active in identifying our desired future, as well as reviewing major risks and potential challenges which we may face on our journey towards meeting our objectives. This strategy serves as the outcome of our annual review process, and will be used as our guide for the next five years.

Our strategic process accounts for internal and external factors. We not only define where we want to go, but we also consider what it is our stakeholders would like for us to respond to. At the heart of our strategy is long-term sustainability for the benefit of our members. We are therefore committed to ensuring we make every effort to achieve our strategic objectives, but we will also constantly review our operating environment to ensure our strategy and the Fund remains relevant.

Once the company strategy is approved, we cascade the strategy throughout the organisation to ensure that every employee lives the strategy and drives the achievement of our objectives. We also monitor the implementation of our strategy through setting and measuring our key performance indicators. This allows for the organisation to objectively measure whether progress has been made.

STRATEGIC OBJECTIVES

Be the best-in-class retirement fund.

Diversify to become an end-to-end financial services institution to low- and middle-income workers.

Grow through consolidation of low-income worker funds.

Diversify our Fund product portfolio for the benefit of our existing client base.

Create a high performance and change-ready culture supported by engaged employees.

OUR STRATEGIC METAPHOR

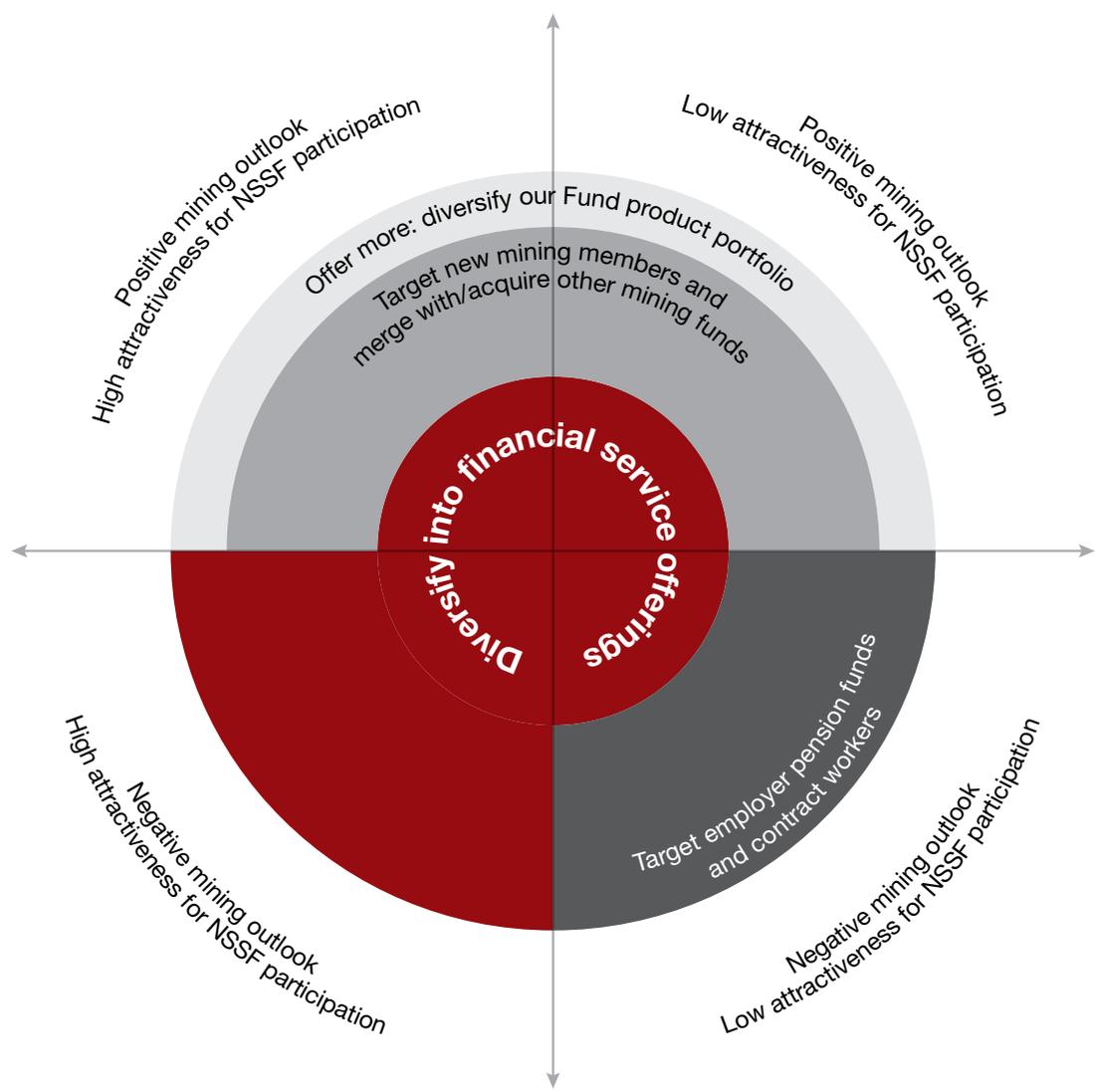
Our strategic metaphor for the next five years is the baobab

Considered a magical tree, baobabs are long-living, low maintenance and difficult to kill. When damaged, they form new bark and just keep growing. Emulating the baobab, we at MWPF will be resilient and adapt to our environment. Baobabs are the largest succulents and provide shelter and wood. An old tree can create its own ecosystem and support the lives of countless creatures. As we embark on this journey to become a leading financial services institution for the working class, we will strive to create the necessary ecosystem which will support the livelihoods of our members.

Like a baobab, our beginning is characterised by a slow and steady growth, whereby we have been creating the right foundation to support our ambitions. Our previous GEMS strategy focused on Governance, Efficiency, Member-centricity, and Sustainability. Phase 1 to 3 of the GEMS strategy laid the foundation for building a formidable financial services institution. Because of the guidance of our GEMS strategy, we believe we now have solid roots for the next phase of our journey.

OUR OPERATING LANDSCAPE

Our internal and external environment includes aspects that could either positively or negatively affect our ability to deliver on our strategy objectives. We cannot control the external environment, but we will do our best to address challenges and leverage opportunities as they present themselves. The following factors have been considered in the formulation of this strategy.



OUR CHIEF EXECUTIVE OFFICER'S REPORT (continued)

STRATEGIC OBJECTIVES

Our strategic objectives are long-term organisational goals that will help us to convert our growth aspirations into more specific plans and projects. Our goals are, therefore, centred around the key elements in our strategic model.

We have identified five goals deemed most important to the current and future health of our business. Our strategic objective are:

KEY PERFORMANCE INDICATORS

A key performance indicator (KPI) is used to illustrate how effectively an organisation is in achieving its business objectives. While MWPF has multiple levels at which we need to evaluate the success at which we have reached our targets, the focus of this document is the high-level KPIs. For instance, the performance measures which focus on the overall performance of the division as related to our strategic objectives.

The '**SMART Framework**' was used to craft the KPIs in this strategy:

- **SPECIFIC:** the nature and level of performance can be clearly defined
- **MEASURABLE:** the required performance can be measured
- **ACHIEVABLE:** the target is realistic given existing capacity
- **RELEVANT:** the required performance is linked to the achievement of a goal
- **TIME-BOUND:** the time period or deadline for delivery is specified

Our strategic KPIs are:

1	Cost-efficiency	% members outside mining industry	7
2	Average cycle time	Growth in member base	8
3	Market share	Revenue per member	9
4	Value of unclaimed benefits	Customer satisfaction	10
5	Number of 'other' services	Employee satisfaction	11
6	Growth in asset base	Net promoter score (NPS)	12

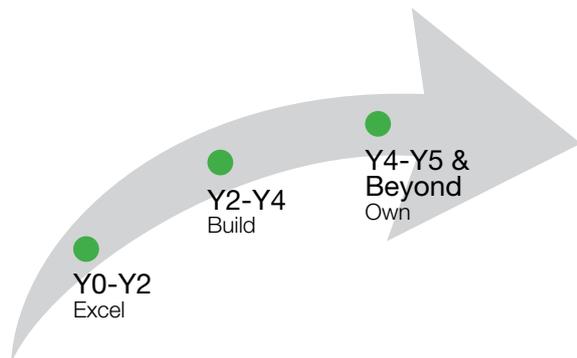
STRATEGIC ROADMAP

Our strategic priorities are the initiatives we need to undertake and the things we need to have in place in order to support our growth and achieve our strategic objectives. With our capacity being the limiting condition to growing our clients. Our long-term sustainability depends on us having the right capability and capacity to support our growth aspirations and mitigate the risks given the relevant context.

Through our strategic planning process, we have identified four focus areas for our organisation over the next five years. These are (1) our understanding, (2) our growth, (3) our service and (4) our people. Our strategic roadmap is based on activities around each of our strategic focus areas.

We have also phased the next five years into three periods. In the first two years, we will focus on becoming excellent at what we currently do, in the next period, we will begin to define and build an integrated financial services institution for low-medium income workers. In the last phase, we will strive to own the low-medium income workers market within the financial services space.

The next page provides our strategic roadmap.



FOCUS AREA	
	OUR UNDERSTANDING Market research and intelligence strategy
	OUR GROWTH Business development Mergers and acquisitions Partnerships Productive diversification
	OUR SERVICE Systems and administration
	OUR PEOPLE Culture Talent management

CONCLUSION

Mineworkers Provident Fund is a people-serving company with a special history. The growth we have seen since our inception is due to our focus on what the client wants. Our mission is to provide superior service to our members and their beneficiaries. Using our first-class administration as a catalyst to become a leading financial services institution for the working class by 2023, how we balance our clients on multiple financial products with our systems capability will be at the heart of the sustainability of the company.

After concluding last year's overview by assuring our stakeholders they could look forward to the upcoming year with confidence. I would like to place it on record that my abiding memories of the past 12 months will be on the instances where MWPF was proactive in serving, rather than reactive, and in my account the former far outweighed the latter and that gives me pride.

While our 2017 performance was satisfactory by all accounts, we look forward to a better year ahead, given that we are finding and implementing more effective ways of serving and creating value for our members.

Mkuseli Mbomvu
Chief Executive Officer

INFORMATION TECHNOLOGY REPORT



Through proactive leadership, the Fund continues to overcome information security challenges that threaten our technology infrastructure and vast information assets. In 2017, the Fund continued to fortify its security posture and strengthen its preparedness and cyber-defense strategy.

Our 2017 priorities will remain at the top of the agenda lists so we can continuously deliver on our top 10 key strategic objectives, mainly:

- | | | |
|----------|---|-----------|
| 1 | To increase operational agility and performance in the delivery of technology services. | |
| | To improve the design and delivery of digital services. | 2 |
| 3 | To transform and simplify the way we do business through innovation. | |
| | Accelerate the adoption of common technology platforms and shared services. | 4 |
| 5 | To create a culture of innovation and collaboration. | |
| | Develop the capabilities of both technology leaders and functional experts. | 6 |
| 7 | Improve employee engagement and increase retention of quality employees. | |
| | Expand our pool of skilled and experienced technology professionals. | 8 |
| 9 | Foster the advancement of a diverse and unified technology and operational platform. | |
| | Expand our pool of skilled and experienced technology professionals. | 10 |

HUMAN RESOURCES REPORT



THE KEY FOCUS AREAS FOR HUMAN RESOURCES INCLUDED THE FOLLOWING:

Flexible and integrated HR capabilities

HR talent attraction, retention and succession

Value add HR analytics

Culture shift and employee engagement

Build total rewards strategy

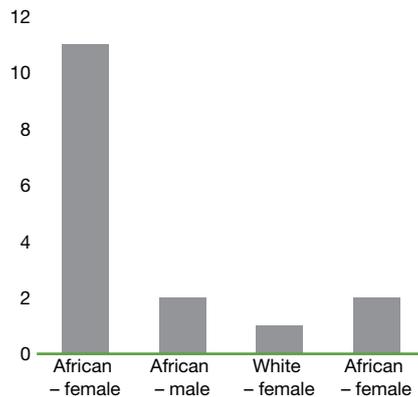
FLEXIBLE AND INTEGRATED HR CAPABILITIES

The introduction of a new Intranet for our business enabled us to access information and critical links much easier. Another of improved aspect in this regard is the communication between the organisation and its people, and the highly improved level of connectedness and connectivity which talks to our efficiency strategy as an organisation. This single intranet platform has created a much closer interactive environment for all our people, including the staff members based in the walk-in centres and our people based on the various mining houses.

HR TALENT ATTRACTION, RETENTION AND SUCCESSION

In following our governance of fair recruitment practices, MWPF recruited and placed a number of staff into the organisation. This included critical roles like the new Chief Financial Officer, who was placed in the organisation on a succession plan basis to ensure a smooth takeover process. Our sustainability strategy is key to our success and this was reflected by placement of the various key resources. With MWPF having established an office in Xai-Xai Mozambique, the appointment of two resources for that office has resulted in improved service experience for our Mozambique-based members and beneficiaries.

2017 new staff



Exit type



The exits recorded during the year included three African females and nine African males, one white male and Indian male. The overall staff turnover rate for 2017 was 12.7%.

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2017 HUMAN RESOURCES REPORT (continued)

Executive coaching intervention

Executives in the business were allocated coaches that would walk the coaching journey with them for a period of 12 months. This was underpinned by the understanding that for any culture to change, the leadership of the organisation must take the lead in being the pace setters and example of the very change they would like to witness.

The Executive members constantly held monthly coaching sessions with their coaches and have had an opportunity to reflect on the quality of their leadership and their experience of engagements within the organisation. Focus was also placed on areas of improvement and leveraging of their respective strengths to move MWPF forward.

VALUE ADD HR ANALYTICS

The quality of HR analytics has improved last year and has had direct impact on our efficiencies, this included a more effective and efficient management of leave, especially the liability aspect and absenteeism in general. The leave liability owed to excessive leave balance was significantly reduced to under 10% of staff. This bodes well for overall liability management in the organisation as well as health, wellness and effectiveness.

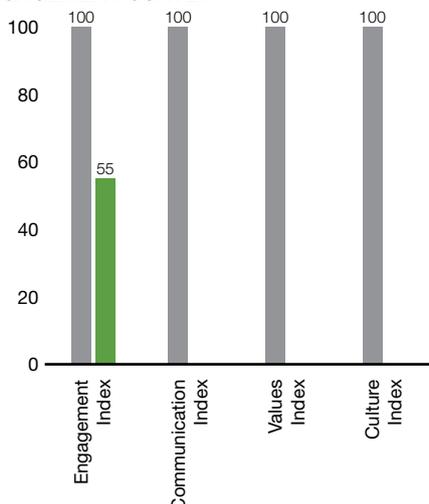
CULTURE SHIFT AND EMPLOYEE ENGAGEMENT

All efforts directed towards the culture shift of the organisation included focus on policies in order to improve the governance environment and improve the culture of accountability within MWPF.

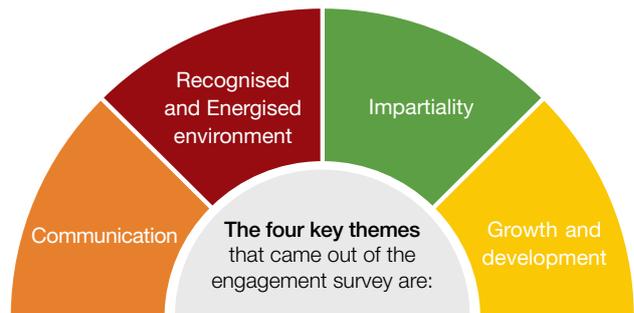
Further to that, it is critical for the future of MWPF to improve the culture to more member-centric and have an entrenched way of always providing a positive service experience for our members and beneficiaries. In this regard, our people in the operations space were exposed to various interventions that were aimed to improve retirement funds industry knowledge, professionalism and customer service.

MWPF launched an engagement survey for the first time in 2017. The aim of the survey was to establish the working culture at MWPF and to know the extent to which staff are actively engaged, disengaged and actively disengaged in the organisation. There are four key pillars we studied throughout the survey and they are:

ENGAGEMENT SURVEY



The engagement index actual results clearly indicated of the amount of work we as an organisation still have to do to improve the engagement of the organisation. We also had to focus on the outcome of the communication and values and culture index in the organisation.



The business will focus on these to improve the culture and the engagement levels within MWPF.

We also held an annual spring wellness day for our staff members which offered them various opportunities to assess their financial, emotional, social and physical wellbeing. This day offered various tests that could be done to establish that overall wellbeing of MWPF.

The tests included blood pressure, cholesterol, BMI and HIV and Aids. It is critical for us to establish the health profile of our organisation as this will inform possible interventions.

It was also an opportunity to socially engaged with other staff members. It is known that health and effectiveness are two sides of the same coin and therefore the wellbeing of our people is key to us in our sustainability efforts.

BUILD TOTAL REWARDS STRATEGY

Among policies that were implemented after approval was Long-Term-Incentive (LTI) plan, this is targeted at Executive management retention for the overall sustainability of the organisation as well as long-term rewards strategy. Further, this assists the organisation to attract and retain high calibre individuals and ensure that experiential and succession planning can be more sustainable.

The year 2017, marked for the first time the LTI payment to all our Executive members who met the criteria as per the policy. The LTI plan will also contribute towards the sustainability part of our strategy as a business.

The valuable remuneration practices partnership and the input we have from PWC will continue to help us reach a competitive edge as we continue to benchmark ourselves at appropriate times during the year with organisations in the same industry. This benchmark exercise empowers MWPF to take important decisions on matters on salary adjustments and other similar practises.

HUMAN RESOURCES HIGHLIGHTS FOR 2017

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HR AUTOMATION

The Intranet platform was launched in 2017.

This has made the access to **key information very user-friendly** for internal staff members. The value derived is the manner in which our overall communication has now improved.

NEW MEDICAL AID ONBOARDING

In our quest to make MWPF a great environment for staff members, we consulted with staff members on their medical aid needs and subsequent to that introduced a more affordable medical aid alternative.

This has resulted in **over 60% of staff members joining the new medical aid** and are highly appreciative of the opportunity afforded by the organisation.

MANAGEMENT OF STAFF ENGAGEMENT

In 2017, for the first time we introduced the Engagement survey.

This survey seeks to help organisations create a positive people work experience. The result of a positive engagement survey can influence business outcomes, customer satisfaction and financial growth of the organisation.

EXECUTIVE COACHING INTERVENTION

The business identified a need for all executives in the business to be allocated coaches as part of the **personal development and improvement of their leadership capacity.**

This intervention continued for a period of 12 months to ensure a sustainable and effective outcome.

EMPLOYMENT EQUITY REQUIREMENTS

The Department of Labour inspectorate had identified specific requirement that MWPF had to meet in line with the EE Act.

The EE Committee worked hard and successfully achieved the requirements and a report was submitted to the DOL to ensure full compliance. This bodes well for MWPF and shows commitment to be a responsible corporate citizen.

ONBOARDING OF PREVIOUSLY OUTSOURCED SERVICES

The cleaning and security services were insourced in the organisation and were fully onboarded in 2017. This has resulted in the employment of nine employees who have become part of the MWPF family. The continuous streamlining and optimisation of these services has put the organisation on a good footing.

CHIEF OPERATIONS OFFICER'S REPORT



SERVICE IN-FOCUS

Building a culture of high performance and delivery standards has been the focus of MWPF Operations for the year under review and has been well worth the effort. A culture of high standards is protective of all the “invisible” but crucial work that goes on in every company. Our focus has been mainly on the work that no one sees. The work that gets done when no one is watching. In a high standards culture, doing that work well is its own reward – it’s part of what is required in creating the Fund of Choice.

The Fund realised that achieving and maintaining high standards is fun! Once you’ve tasted high standards, there’s no going back and as it becomes contagious and permeates everything we do as an organisation in serving our members and stakeholders.

In last year’s annual report, we noted that we have invested in a change in our servicing model where we introduced Employer Based Servicing (EBS). These are employees who are based at the mines, fostering a closer working relationship with employers whilst servicing bridging the gap with our members.

MWPF MEMBER SERVICING PRINCIPLES

Member experience

Outcomes

SIMPLICITY	Dealing with MWPF will be simple and hassle free – <i>You will only submit requirements once</i>
RESPONSIVENESS	We will try to resolve your request at the point of contact where possible or else we will respond within the promised timeline and keep you constantly informed on progress
CONVENIENCE	We will endeavour to service you through RACs, WIC, call centres and selected mobile units for your convenience
PERSONAL	We will treat our members with care and their requests with sensitivity and respect – <i>We will listen to you and ensure that we understand your needs and resend appropriately</i>
ADEQUACY OF FEEDBACK	We will use simple, jargon free language in our communication – <i>We will communicate frequently in a coordinated manner</i>

1. ERP Project Driving Efficiencies

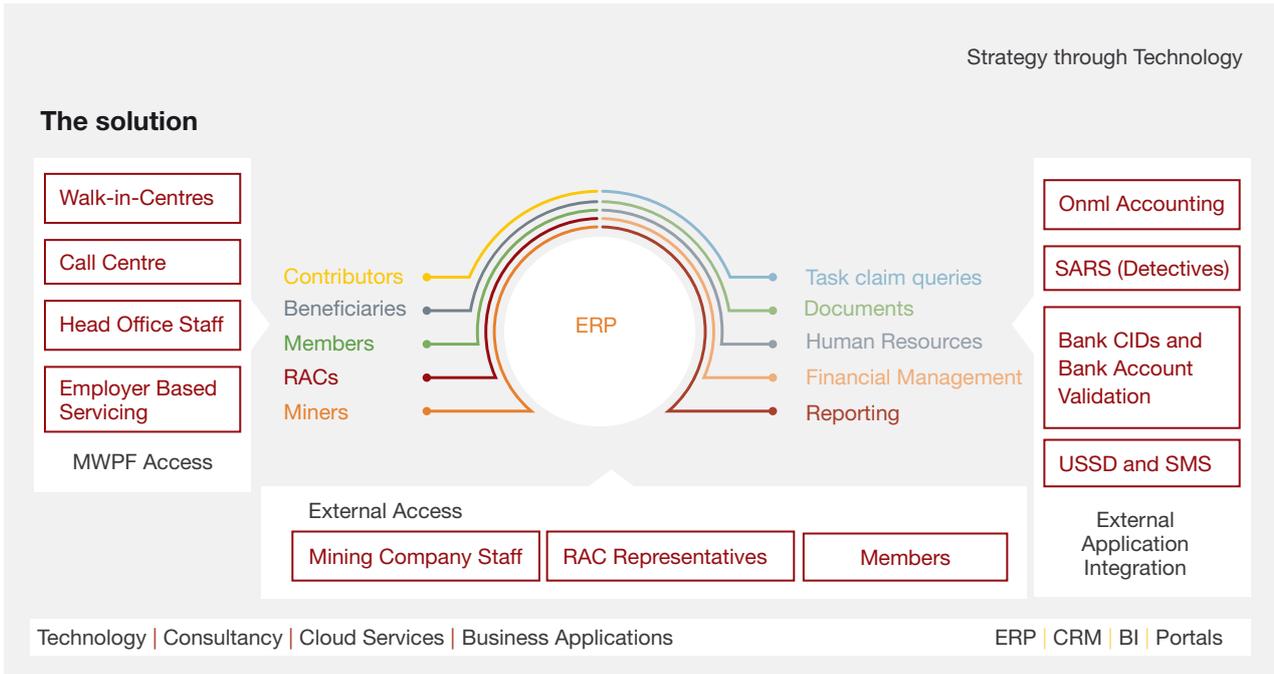
With the introduction of automation, the business has improved its turnaround times significantly. Of all the current claims received in year 2017, 71% of them were paid within a month and in most instances within five days. This feat has been achieved without compromising risk and fraud management principles. The situation can only get better as we continue to improve our turnaround times by dealing with the validations put in place to protect the members, clients and the Fund.

Our data cleanup journey is well on track and is starting to yield the required results.

For existing members, we are starting to see significant improvement, to the staff-to-member ratios, including the costs of administration overall.

From the beginning, our focus has been on offering our customers compelling value and service excellence. We realised that the Call Centre was, and still is, the Wait, Wait, Wait and thus we introduced the EBS model. The indications based on stakeholder feedback has been very encouraging even though there is still more work to be done.

In line with our Service Charter we have significantly reduced our turnaround times in our claims process and thus improving our responsiveness.



2. CRM

Improved relationship with our clients remained top of mind for our business. Significant upskilling for our Employer Based Service Consultants took priority. This, together with appointment of the head of client care, has seen the business interface more with our clients at the highest level, leading to improved relationships and improved information flow. Not a single client was lost during the period under review, and the fact that we have not issued a single section 13A letter for the whole year bears witness to our information flow and great relationship with our clients. More opportunities were created for member education and interaction.

3. Unclaimed benefits

Full implementation of the unclaimed benefit strategy is starting to yield some results. The disciplined execution and continuous review have seen us increase the number of beneficiaries paid by 10% compared to the previous reporting period. While this is a significant improvement, more work remains in this space. Our decentralisation strategy, coupled with our roadshows played a big role in breaking the back of this otherwise stubborn challenge.

We relocated our Mozambique office to give more access to our beneficiaries and members, we capacitated our walk-in-centres (people and technology) and gave special focus to old death cases. We will take this work into 2018 and continue with major improvements in making sure that beneficiaries get what is due to them.

4. Our people

A full programme of skills improvement was undertaken during 2017. The programme included refresher courses on the systems we use, client relationship management, and fraud prevention. Specialist courses were also arranged for the different units within operations to sharpen their skills so that they do their jobs better.

The past year's success is the product of a talented, smart, hard-working group, and I take great pride in being a part of this team. Setting the bar high in our approach to hiring has been, and will continue to be, the single most important element of MWPFP's success.

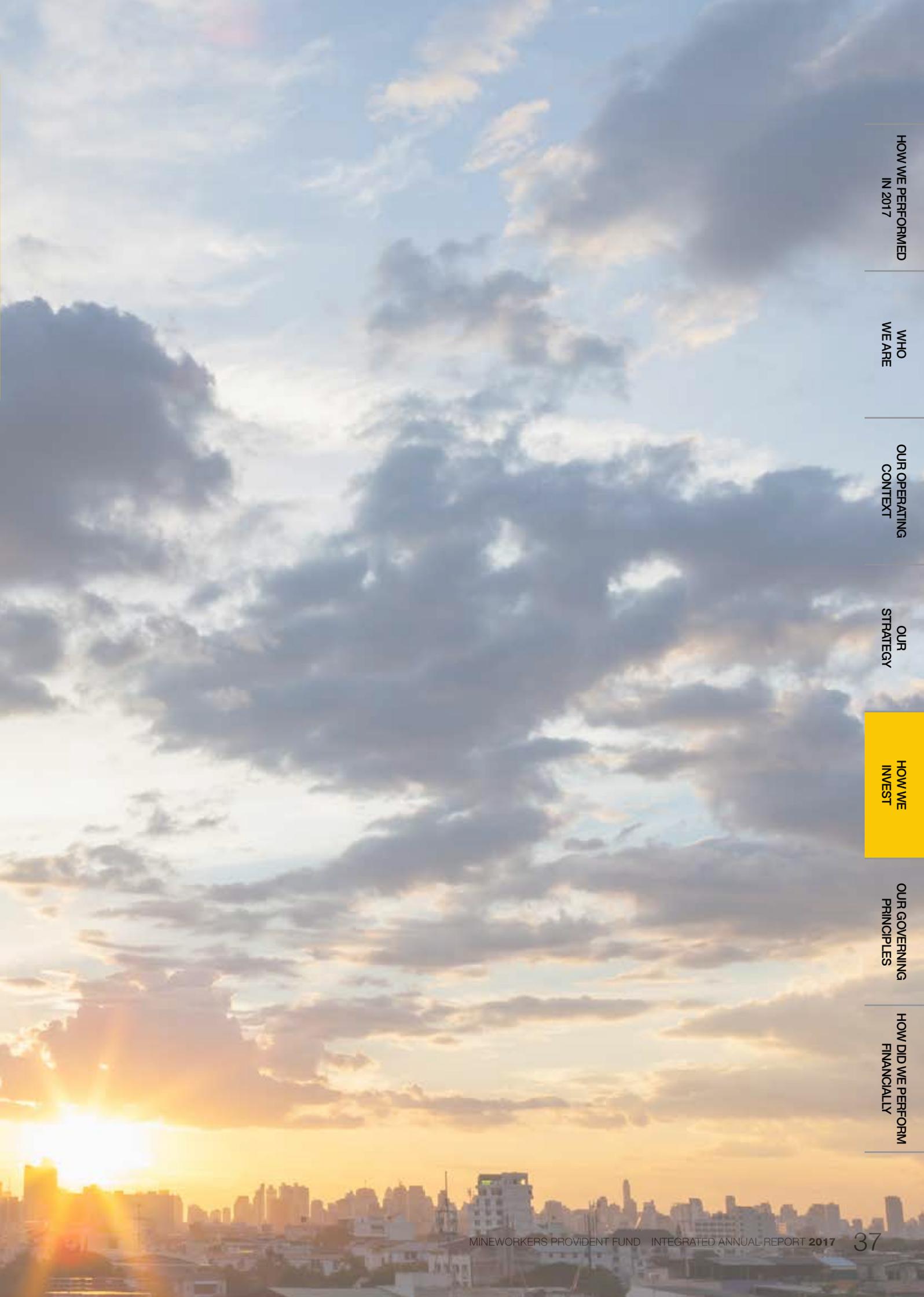
It's not easy to work here given the size of our organisation and the intensity of demands from our members and stakeholders. You can work long, hard, or smart, but at MWPFP as reflected in our Value of "Legacy" we are working to build something important, something that matters to our members, something that we can all tell our grandchildren about. Such things aren't meant to be easy. We are incredibly fortunate to have this group of dedicated employees whose sacrifices and passion built the Mineworkers Provident Fund.

05

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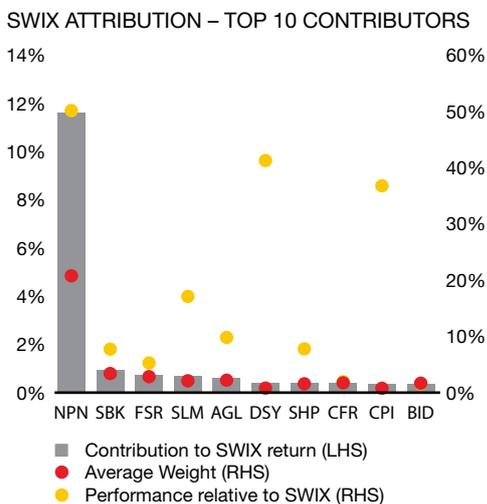
HOW WE
INVEST

OUR GOVERNING
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OUR INVESTMENTS

2017 was the perfect storm of a very shallow market (i.e. not many individual opportunities delivering index-beating returns) coupled with a very concentrated market with regards to Naspers alone making up almost 24% of the benchmark (and coincidentally the fifth-best performing share for the year) which rendered even the best stock picker implementing risk controlled active positions inadequate relative to the index. Equity building blocks often have a style tilt based on the current market dynamic and factors considered, such as price to earnings multiples, earnings growth expectations, levels of investment and ultimately investor sentiment. This tactical tilt to a particular investment style is made in order to capture some level of alpha over the medium term as a particular style finds favour. The idea of still remaining adequately diversified by investment style ensures any short-term market factors do not result in excessive volatility from the equity building block. Once again, a well-constructed building block capitalises on the outperformance over the benchmark of a number of individual stock opportunities in a risk-controlled fashion, i.e. by adopting a sensibly sized active position. Alpha is then ultimately delivered by a consistent theme driving style outperformance over the medium term. It was difficult to clearly distinguish a particular style that found favour as returns were randomly distributed among a number of value, growth, quality and momentum opportunities. The returns were also randomly distributed between “SA Inc” shares as well as Rand hedged opportunities. Perhaps the one clearly identifiable theme running through the equity market was the significant underperformance of midcaps overall relative to large market capitalisation stocks. Even this, however, was not cut-and-dried as a number of mid-cap and small-cap stocks found themselves at the top of the performance list (including Altron, Astral, Dischem, Equites, Greenbay, Cashbuild and Hudaco, among others), with a number of large-cap stocks disappointing (including Barclays Group Africa, Vodacom, Mediclinic, Woolworths and Steinhoff, among others). What seems evident is that just as was the case with “SA Inc” shares such as the banks and retailers, the mid-cap stocks performance relative to the remainder of the equity market was predominantly driven by investor perceptions towards the prospects for the South African economy. To highlight the extent of equity market concentration experienced over 2017 as a result of such investor biases, the chart below provides an attribution analysis of the 10 largest contributors to the 21.21% total return delivered by SWIX:



What is immediately evident is that while all top 10 contributors to absolute SWIX performance actually outperformed the composite index (with the narrowest margin of outperformance being Bidcorp outperforming SWIX by 1.57%), the final contribution to total return is completely dominated by just Naspers. With Naspers contributing a staggering 11.62% to the total 21.21% SWIX return, it outstripped the second-largest contributor to absolute performance, Standard Bank, by an astounding 12.39 times.

All in all, returns for the composite portfolio were impressive at 10.79% for the year, coming in ahead of the target benchmark of CPI + 4.5%, which came in at 9.12% for the year. It remains encouraging that the Fund managed to outperform this return target despite marked Rand strength in the final quarter of the year, as well as an exceptionally concentrated local equity market.

2018: THE YEAR AHEAD

With Ramaphoria and recovery remaining the buzzwords around South Africa, we continue to witness a much improved sentiment boost throughout the course of the year-to-date period spring boarding from the momentum of the victory of Cyril Ramaphosa at the ANC elective conference at the back end of 2017 and subsequent ascendancy to the highest office in the land. The vigorous optimism was premised on economic data releases such as GDP growth for the fourth quarter of 2017 coming in significantly ahead of expectations (with the economy growing by 3.1% on an annualised basis in the fourth quarter of 2017 bringing growth for calendar year to 1.3%) bolstered by a shot in the arm from the agricultural sector growing at double digits during the quarter given an alleviation from the ending of the drought. Despite a fall in mining output during the quarter weighing on growth, markets continue to remain optimistic for growth in 2018 and beyond, given greater policy certainty likely to translate into greater local and foreign direct investment, low base effects and the prospects of more accommodative monetary conditions as we progress through the interest rate cutting cycle. Further data metrics pointing to an upgraded outlook for the local economy include the improved current account deficit as a percentage of GDP. With the current account deficit narrowing to 2.5% of GDP in 2017 on the back of an improvement in South Africa’s terms of trade, this is likely to be a further tailwind to economic growth into the medium term as the ongoing pressure to subsidise a wide current account deficit through an ongoing need for financial inflows through higher interest rates on offer to the international investor subsides. The table below provides a high-level summary of the much-improved economic outlook for South Africa on a forward-looking basis, predicated on improved macroeconomic variables such as the current account which has a very distinct knock-on impact onto other variables and ultimately economic growth.

Percentage Change	Actual				Forecast	
	2014	2015	2017	2018	2019	2020
Real GDP Growth	1.70%	1.30%	1.30%	1.50%	1.80%	2.10%
CPI Inflation	6.10%	4.60%	4.70%	5.30%	5.40%	5.50%
Current Account Balance (% of GDP)	(5.30%)	(4.40%)	(2.50%)	(2.30%)	(2.70%)	(3.20%)

Marked political instability over the course of the last nine years has undoubtedly played a significant role in much of South Africa's economic malaise, and it is thus somewhat appropriate that shifting political winds instilling a renewed sense of optimism and confidence ushered in a budget adopting a considerably different tone to the concerning Medium-Term Budget Policy Statement of 2017 (MTBPS). If anything, the 2018 budget has taken some very tough political decisions in the year before an election in an attempt to return South Africa back to a path of fiscal sustainability. Some of the other factors driving such an economic recovery include a considerably improved fiscal outlook for South Africa from the Medium-Term Budget Policy Statement of 2017 whereby government debt is seen to consolidate onto a much more sustainable path.

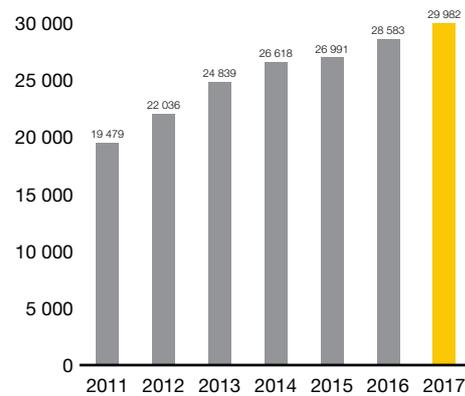
Aside from this more positive local macroeconomic backdrop, we believe the following five themes are likely to drive financial markets into 2018:

1. A re-rating in South African mid-cap shares
2. Concerns regarding global equity market valuations
3. The dynamics of Value vs. Growth globally
4. Fears of Regulation coming to the Technology sector
5. The threat of a full-blown trade war between China and the US

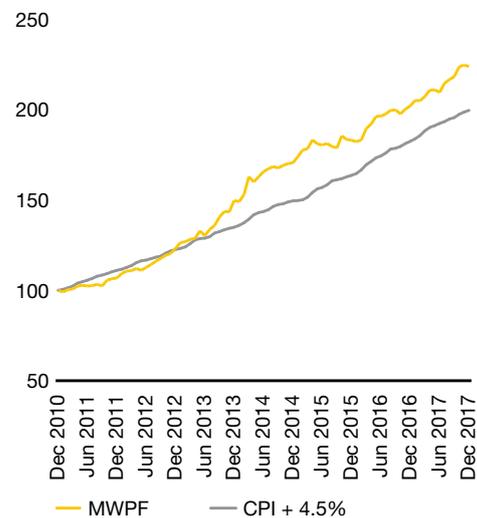
Despite the continued decrease in inflation which makes the target of CPI + 4.5% more achievable, the market has seen much more volatility of late, making the target harder to achieve on a year-on-year basis. Extensive work continues to be done on the appropriate strategy and asset allocation to meet such a return target and the board of trustees remain in touch with the constantly evolving economic and financial market backdrop. Bearing this in mind, short-term tactical asset allocation decisions are taken in order to position the Fund in an optimal way so as to benefit from the prevailing market conditions. The global and local financial market backdrop continues to present a number of opportunities, given synchronised global economic growth and improving earnings expectations. Short-term risks, however, remain prevalent and need to be considered. The board of trustees remains committed to considering such factors in ensuring members interests are looked after and the long-term performance goals of the Fund are being met.

FUND PERFORMANCE

a. FUND SIZE (RM)

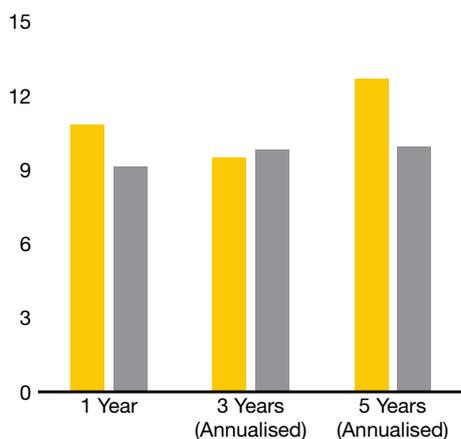


b. CUMULATIVE FUND PERFORMANCE



OUR INVESTMENTS (continued)

c. DISCRETE FUND PERFORMANCE



INVESTMENT STRATEGY OF THE FUND

d. Investment philosophy

Our primary goal is to preserve the purchasing power of our members' retirement benefits and deliver investment returns in excess of inflation at the lowest possible level of risk. This is achieved through the adoption of a liability-driven investment approach that allows us to understand our membership profile and tailor a solution that allows our members to retire comfortably and meet the Fund's future cash payments with a high degree of certainty.

e. Investment objective

The Fund offers members a single default portfolio that seeks to deliver a real return of 4.5% above inflation (CPI+4.5%) over any consecutive five-year period at a minimum level of risk. This target level of return is the outcome of a stochastic liability-driven modelling exercise to determine the most appropriate level of return target suitable for the membership profile of the Fund.

f. Investment approach

The Fund utilises a Core-Satellite approach to meet the Fund's investment objective of delivering CPI+4.5% over any consecutive five-year period. The total Fund is managed as a combination of a Core Portfolio (Core) and a Market Linked Portfolio (Satellite). The strategic weighting between the Core and the Satellite is 40% and 60% respectively:



Core Portfolio

This is the anchor of the Fund and is best described as a low volatility, stable return building block that aims to protect capital through the delivery of inflation-beating returns with a low probability of capital loss. The benchmark for the Core Portfolio is CPI+4.5%. The portfolio comprises a combination of guaranteed mandates and long-term real assets.

Market Linked Portfolio

This is a multi-asset class portfolio that is optimally constructed to deliver the target return of CPI+4.5%. In order to achieve this target return the portfolio is constructed through diversified exposure to different sources of return:

- Geography
- Asset class
- Sector
- Investment manager
- Investment strategy and style

Weightings to the different sources of return are determined using asset allocation analysis and risk budgeting. Asset allocation analysis is conducted to determine the optimal mix of asset classes best suited to deliver the expected return. Risk budgeting is used to ensure that we are rewarded for every unit of risk that we pick up. Specialist investment managers are selected within each asset class following a thorough due diligence and selection process and given appropriate asset class benchmarks to beat. The Market Linked Portfolio will display short-term volatility but has a higher probability of delivering outperformance over the long-term than the Core Portfolio.

Regulation 28

The Fund is managed in accordance with Regulation 28 of the Pension Funds Act.

g. Tactical asset allocation

Capital markets change over time, causing adjustments in correlations between asset classes and in expectations of risk and return. Accordingly, our assumptions and our expectations for the performance of asset classes are adjusted to reflect these shifts. Therefore the Fund's long-term base-case outlook is actively adjusted to capitalise on prevailing market conditions and to also ensure that portions of the Fund are not vulnerable to short-term market downturns. As such, the strategic exposure to the Core Portfolio and the Market Linked Portfolio are allowed to deviate within a 5% tactical band:

- Core portfolio (min 35%, max 45%)
- Market Linked Portfolio (min 55%, max 65%)

Similarly, strategic weightings to the different sources of return within the Market Linked Portfolio are dynamically adjusted (underweight or overweight from the long-term mix) to either protect the portfolio from short-term adverse market movement or to align a source of return to the current cycle of the market.

PORTFOLIO RISK MANAGEMENT

There are many investment risks that can impact the Fund. Through ongoing monitoring of these risks and having control measures in place, the Fund is well positioned to manage and mitigate such risk.

Investment risks and the control measures the Fund has in place to mitigate such risks

Risk

Control Measures in Place

Financial markets risk: Being invested in financial markets introduces the risk that the capital value of the Fund will go up and down as investment markets fluctuate and asset values increase as well as decrease in price.

The Fund's exposure to guaranteed funds and real assets ensures that a segment of the Fund is immunised from a drawdown in the market. The Fund is also diversified across asset classes so, should one asset class deliver negative returns, there are other drivers of performance within the Fund to counterbalance this.

Liquidity risk: This risk is introduced when holding assets that cannot be liquidated for a reasonable value on demand. The Fund may hold illiquid assets for their higher return premium to liquid assets.

This risk is reduced through cash flow management and holding assets that can be easily liquidated at the expected market value when required. Exposure to unlisted assets is limited within the Fund.

Risk of not meeting the CPI+4.5% target return: The Fund targets a return of CPI+4.5% but there may be times when inflation is high and asset returns are low and the Fund does not achieve this target return.

The asset allocation mix of the Fund is reviewed on at least an annual basis to assess whether the asset mix still has the highest probability of achieving the target. Furthermore, short-term tactical tilts to the long-term asset allocation are made to either protect the Fund from a downturn or to capitalise on an expectation of a positive market move. The goal should be achievable over rolling three-year periods.

Investment manager risk: When utilising a range of different asset managers, there is the risk that one of the asset management businesses fail or that the asset managers underperform their benchmarks.

The Fund conducts asset manager selection with great care to ensure that the managers that are selected have sound businesses with good governance and operations and the skill to manage the particular mandate assigned. Ongoing monitoring and evaluation of the appointed asset managers ensures that risks are identified and addressed. Diversification across asset managers further serves to mitigate the negative impact any one asset manager can have on the overall Fund.

Foreign investment risk: Assets invested outside of the country and subject to currency fluctuations.

Currencies can be volatile and impact the returns of assets invested in foreign markets. The allocation to foreign markets remains within the parameters of the regulation and is appropriate for the risk and return profile of the Fund. The Fund's overall foreign exposure is measured and monitored on a monthly basis.

Regulatory risk: The Fund is required to comply with all regulatory requirements and there is a risk that there may be periods of non-compliance.

The Fund remains abreast of all regulatory requirements and changes and is monitored for any compliance breaches. The asset managers with whom the Fund invests have compliance procedures and systems in place to detect both pre- and post-trade compliance.

Concentration risk: The Fund could underperform if it is over exposed to any one asset class, asset manager, investment style or region.

Risk is mitigated across the Fund by being optimally diversified across the different sources of risk and return. The Fund is continuously monitored for concentration risk which can occur because of market movement and therefore re-balanced back to its strategic weightings.

OUR INVESTMENTS (continued)

B-BBEE INVESTMENT POLICY

The Fund supports the advancement of Black Economic Empowerment and is conscious of the fact that employment equity is guided by legislation. The BEE Commission Report 2001 states that Black Economic Empowerment transactions attempt to “redress the imbalances of the past by seeking to substantially and equitably transfer and confer the ownership of the country’s financial and economic resources to the majority of its citizens”.

The Financial Sector Charter on shareholder activism records that pension fund trustees, asset managers and consultants play a critical role in influencing the flow of funds, and further states that initiatives should be developed to enhance trustees’ understanding of investments and participation in targeted investments and financing of Black Economic Empowerment transactions so as to make a contribution to shareholder activism. Pension fund trustees are encouraged to play an active role in promoting the objectives of the Charter on their respective boards and in the entities in which investments are held.

Due to the economic imbalances of the past, many Black Economic Empowerment transactions require innovative and unconventional funding mechanisms. The principles of corporate governance still apply, however, with the understanding that the focus, in this instance, is on sustainability and long-term wealth creation rather than short-term considerations.

If the economic cost to shareholders is greater than 3% then the manager must motivate why the transaction should be approved.

In addition:

1. If the recipients of the transaction are not “broad-based” (where “broad-based” is as defined in the relevant Sector Charter); or
2. If the shareholders, and not the financier, are to assume the risk where there is a delayed payment; then the asset manager is to revert to the Investment Committee for a decision as to whether to vote for or against the transaction.

Other issues for consideration by the asset managers include:

- There should be full and detailed disclosure of all the relevant terms of the deal to make an assessment on the fairness of the transaction. The B-BBEE partner(s) should be clearly identified, profiling not only the investment company, but also the persons involved in that company.
- The transaction should create a meaningful long-term B-BBEE share in the company.
- The empowerment partner should be entitled to board representation and should be able to add value to the transaction in terms of skill and revenue generation.
- The transfer of ownership should preferably not be subject to any conditions that may undo the transaction at a later stage.
- The transaction should be in compliance with the relevant industry charter and B-BBEE Codes of Good Practice published by the Department of Trade and Industry.

Core components of the Fund’s B-BBEE policy include: Procurement of B-BBEE service providers to the Fund

- The Fund has diversified its supplier chain model through the hiring of B-BBEE asset managers as well as B-BBEE consultants to the Fund such as investment advisory and actuarial service providers.
- The Fund has also implemented an efficient mechanism for identifying, accessing and supporting B-BBEE investment talent, thereby adding value to the Fund’s investment portfolios through the hiring of the most talented B-BBEE asset managers.
- Through the Fund’s Black Asset Manager Incubation Programme the Fund is committed to growing and nurturing B-BBEE investment skill and talent and building on the current low levels of B-BBEE participation in investment management in South Africa, thereby stimulating growth and development within the sector.
- Procurement by the Fund is supportive of economic development and job creation, promoting entrepreneurship and removing the barriers to entry that inhibit the growth of B-BBEE financial services providers.

Revised Financial Sector Codes of Good Practice

- The Fund has taken note of the inclusion of a voluntary dispensation for the top 100 Retirement Funds, including Umbrella Funds, under the Revised Financial Sector Codes of Good Practice. Under the voluntary dispensation the Fund will be required to compile and publish an annual scorecard focused on preferential procurement and management control activities based on the measurement metrics contained in the Codes.
- The Fund is supportive of such disclosure as it provides a basis to measure the pace of transformation in the financial services sector and promotes financial inclusivity. The Fund will conduct an exercise to complete and submit the scorecard to the Financial Sector Charter Council.

SOCIALLY RESPONSIBLE INVESTMENTS

At the Fund, we believe that in the longer term, high standards of corporate responsibility generally make good business sense, and as such support company operational performance as well as reputation. In an increasingly integrated business environment, awareness of a broader stakeholder base including customers, employees, regulators and government in addition to capital providers is an essential underpin to strategically positioning companies for long-term sustainable success. A keen appreciation of this emerging trend insulates investments from investment risk and the potential to enhance investment returns. This is particularly relevant given our position as asset owners and the attendant length of the investment time horizon.

As such, we attempt to integrate ESG considerations directly into our investment process in a variety of ways. We gear this integration to our investment philosophy to enable us to effectively understand and mitigate the potentially material impact of companies’ ESG policies and outcomes on their financial return profile.

The ESG Policy of the Fund provides a broad guideline as to the approach to ESG integration.

1. Materiality of ESG factors in our investment approach

The Fund is focused on maximising risk-adjusted returns within its underlying portfolios. ESG issues have the potential to influence these returns meaningfully over the short-, medium- and long-term and as such, a formalised approach towards evaluating them and integrating them into both actively and passively managed portfolios are a key part of the Fund’s process.

ESG risks are highly diverse and often difficult to identify and quantify. As such, we are aware that strategies to actively mitigate risk are not always possible in the context of appropriate portfolio diversification. Nonetheless, by formalising the assessment of these issues, we intend to build into portfolios an element of insulation from ESG risk. Further, we believe that as shareholders, we can play an important role in influencing company behaviour to manage ESG risk exposures at an individual level. We intend to achieve this through encouraging our underlying managers to pursue engagement and broader active stewardship.

We intend to build capacity across relevant asset classes, sectors and markets as and when this becomes necessary and feasible over time.

2. Implications for our investment approach

The Fund acknowledges that the challenge of attempting to address ESG risks holistically supports using a multi-dimensional approach. We also see a distinction between ESG investing and Socially Responsible Investing (SRI). Our preference is to use the term ESG because this implies a consideration of ESG factors in the overall investment decision as opposed to SRI and other approaches, which are more exclusionary in their approach and essentially attempt to achieve a desired ethical or social goal through investment selection or de-selection. In essence we attempt to approach this endeavour moralistically, emphasising the potential risks inherent in the way companies operate through the potential for backlash from society at large. Although we believe that this baseline approach is the most appropriate to protect investment return and generally encourage our underlying

managers to adopt such an approach, there are a narrow set of particular circumstances where as asset owners, the values of the Fund may be expressed through negative screening.

We are also wary of the risks of becoming one-issue investors and the potential risks that such a strategy creates for portfolio construction. This risk comes about through the skew created by wholesale exclusionary investment. Ultimately, we therefore view disinvestment as a last resort for asset managers looking to balance the need to build resiliency to ESG issues into their portfolios as a risk management initiative while maintaining the ability to generate competitive returns. Disinvestment is applicable therefore either at the Fund’s behest directly or after all other avenues to influence firm behaviour have been explored and the ESG risk of maintaining investment exceeds that of complete disinvestment.

There are a number of drivers for increasing awareness and focus on ESG issues by South African (SA) investors, notably:

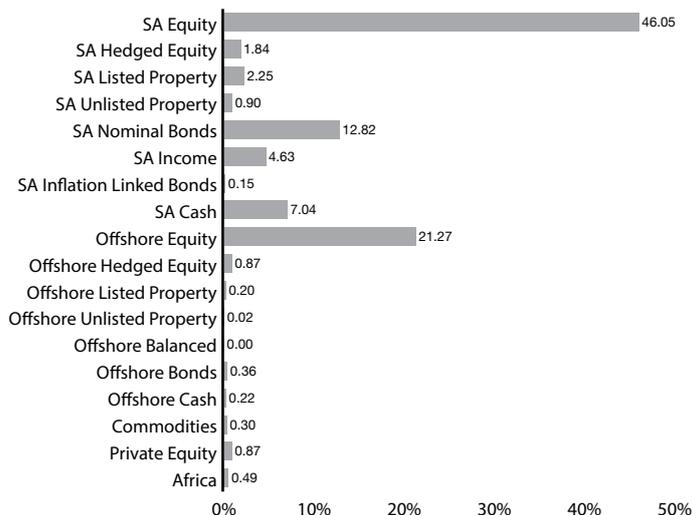
- There are 52 SA signatories to the UN PRI, including 35 investment managers (47 and 34 in 2015), who have committed to incorporating ESG factors into their investment processes;
- SA investment trustees are compelled to specifically address ESG factors by Regulation 28 of the Pension Funds Act;
- Notwithstanding the regulatory requirements of Regulation 28, in the event of a corporate event e.g. severe environmental damage by a company or a failure in corporate governance, there could well be reputational and financial risk for investment managers who fail to demonstrate that they have adequately addressed ESG issues; and
- We see a growing focus on ESG by international investors, with ESG funds under management growing significantly faster than the aggregate industry.

The Fund will continue to monitor these trends, including their effects on practices within the investment value chain globally and in South Africa and attempt to implement an ESG solution into its investment process as appropriate to the particular circumstances.

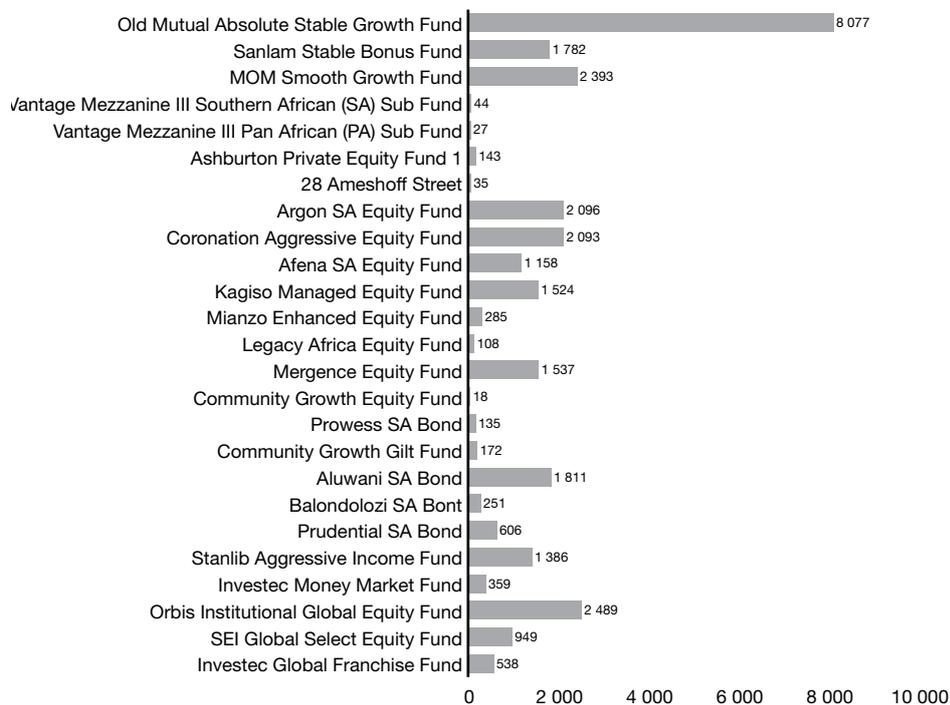
OUR INVESTMENTS (continued)

INVESTMENT MANAGERS AS AT 31 DECEMBER 2017

A. OVERALL FUND – ASSET ALLOCATION

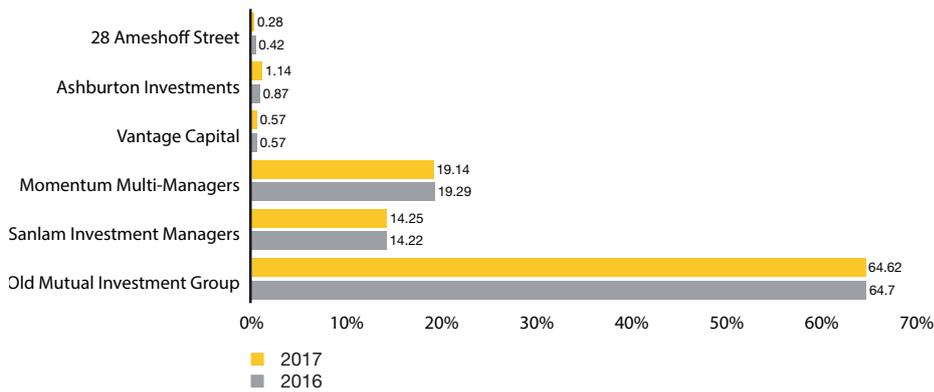


B. OVERALL FUND – INVESTMENT MANAGER ALLOCATIONS (Rm)



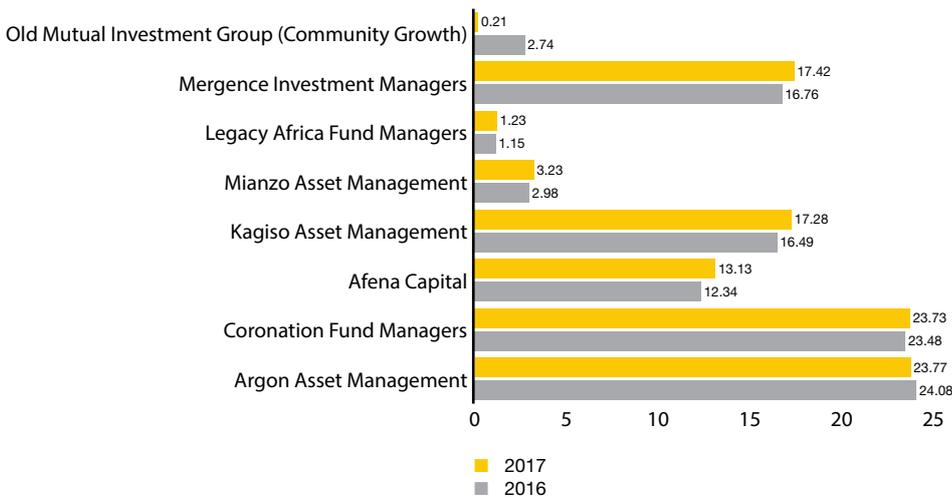
C. CORE PORTFOLIO

CORE PORTFOLIO – MANAGER SPLIT



D. MARKET LINKED PORTFOLIO

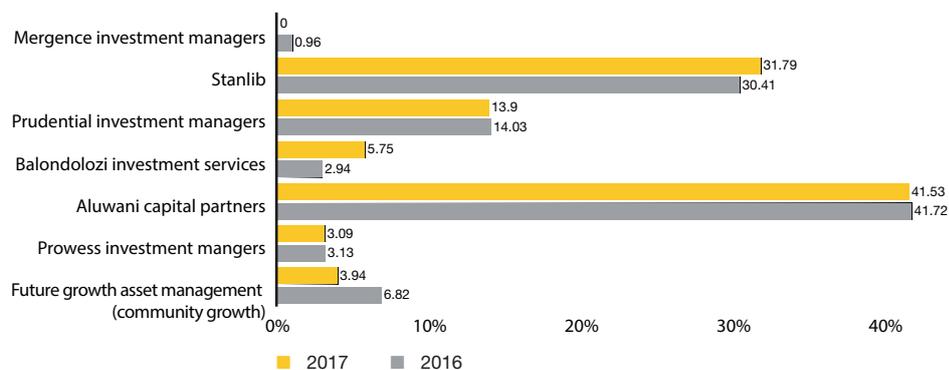
SOUTH AFRICA – EQUITY MANAGER SPLIT



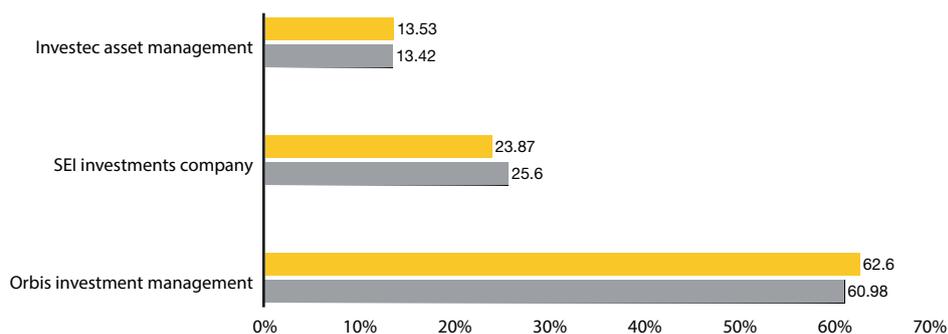
- South Africa – Cash Mandates
The Fund is invested with one investment manager – Investec Asset Management

OUR INVESTMENTS (continued)

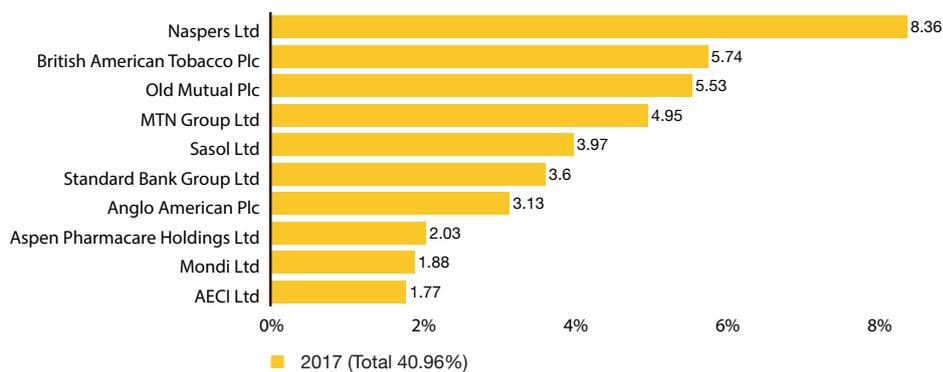
South Africa – Fixed income manager split



Offshore – equity manager split



E. Top 10 South African Shares held across the Fund (% of SA Equity Component)



BOARD STATEMENT ON INTERNAL CONTROL AND RISK

Audit and Risk Committee is responsible for ensuring that internal controls are adequate and effective and that the organisation's approach to risk management is commensurate with risk appetite. The committee approves the internal audit work plan and reviews internal audit findings. It recommends the appointment of internal and external auditors. It is charged with reviewing and approving MWPF's budgetary processes and ongoing reporting.

The committee reports to the Board by considering and addressing significant issues relating to the financial statements, including the accounting Standards and Risk Management Policies.

Internal control and risk

The Board has overall responsibility for the system of internal control and risk across the MWPF and for reviewing its effectiveness.

The review process

The internal control framework is designed to manage and reduce, rather than eliminate, the risk of failing to achieve business objectives. It can only provide reasonable, not absolute, assurance against material misstatement or loss.

The framework

The framework also exists to give reasonable assurance about the reliability of financial and operational information and the safeguarding of MWPF's assets and interests. The Audit and Risk Committee regularly reviews the effectiveness of internal controls through the assurance provided by internal audit, regular updates on risk management and assurance provided by the Executive Team.

The Board is responsible for overseeing the framework of delegation and systems of internal control, including risk appetite and strategic risks. The Board has reserved certain powers to itself including determining the long-term business strategic objectives of MWPF and any material decisions. Board committees only recommend actions for Board approval.

A formal scheme of delegation of Authority and Terms of reference is set out the delegation's framework in place for Board committees, the Chief Executive and the Executive Team. Board committees also provide assurance to the Board on key areas of activity such as service delivery, safeguarding, and finance.

Key risks and mitigations

The key risks and how they are mitigated are summarised below. The approach to strategic risk identification and risk management is firmly embedded across the Group. Management responsibility is clearly defined with regard to the identification, evaluation and control of significant risks. The formal ongoing process of risk review includes a strategic risk review at each meeting of the Audit and Risk Committee and the Board. The review by the Executive Team includes a review of the strategic risks and scheduled review of risk registers for each operational area.

At MWPF we have a systematic approach to risk and uncertainty that has been embedded within the business at multiple levels.

This approach ensures ownership of risks, and the management and mitigation of them throughout the organisation.

Each operational area of the business has developed a risk register which is reviewed by its management team on a periodic basis. Risks can then be escalated to the next level based on an internal scoring matrix. These risks are then re-assessed, and a decision is taken as to whether or not they should remain on the next level risk register. This process is continued at each level, ensuring that those areas that need focus at different levels within the MWPF receive the right levels of scrutiny.

At an Audit and Risk Committee level the risk register represents a combination of risk that may impact on our ability to achieve our strategic goals, as well as those that may have a significant impact on our operations. The risk register is reviewed by the Executive Team each month, the Audit Committee each quarter and the Board at all of its formal meetings.

The Board has embarked on the process of evaluating and reviewing its overall risk framework and will also agree and review its "risk appetite" across various aspects of the Organisation.

In the areas summarised below, the risk rating, after mitigation is taken into account, is considered to be at, or heading towards, an acceptable level.

INTERNAL CONTROL AND RISK

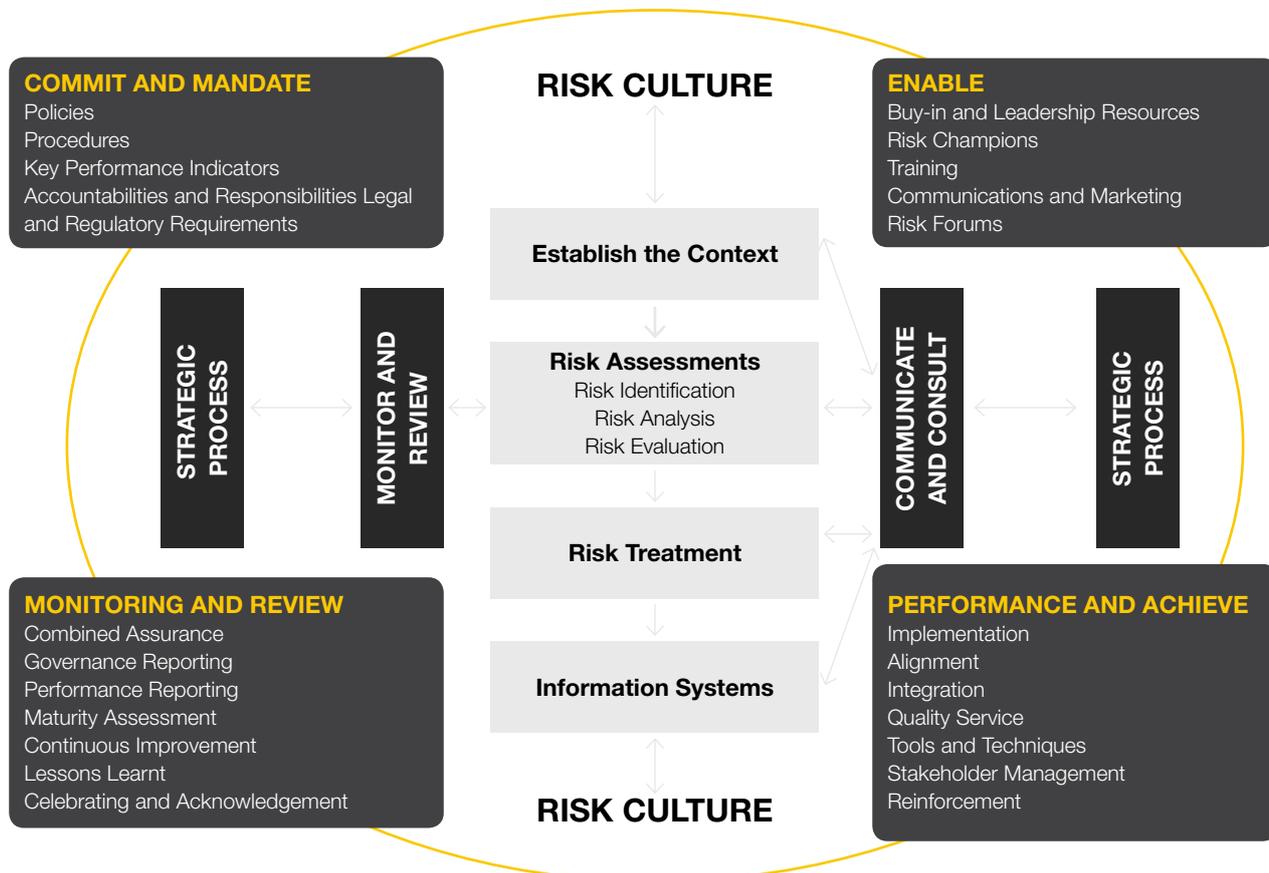
MWPF's Top 10 Risks

Summary of specific risks dealt with in 2017 which also remain relevant. This can be taken from our A&R report.

1. Review of mining charter which could result in lack of stability in the mining industry.
2. Retrenchments in mining which could result in reduced membership.
3. Threat of mines having their own provident funds which could result in loss of membership.
4. Rating agencies downgrade which could result in job losses in the mining industry.
5. Unstable political landscape which could result in job losses.
6. Major decrease in mining investment.
7. Revised rules of the Fund pending approval. This process has been in progress for a long time and now poses a risk to the Fund.
8. Loss of membership through either key mine liquidations, or transfer of members to alternate funds or unions resulting in a threat to MWPF's going concern.
9. Fraudulent claims and errors processed resulting in financial and reputational loss.
10. Incorrect categorisation of membership data, missing member information and duplicated records resulting in lack of data integrity.

OUR INVESTMENTS (continued)

Risk framework



MATURITY STATUS

Risk Culture Maturity Model

	Scale					
	0.0 <= FS < 0.5	0.5 <= FS < 1.5	1.5 <= FS < 2.5	2.5 <= FS < 3.5	3.5 <= FS < 4.5	4.5 <= FS <= 5.0
Perception of risk integration in organisation	● Unaware level	● Very low level of perceived integration of risk in organisation	● Low level of perceived integration of risk in organisation	● Medium level of perceived integration of risk in organisation	● High level of perceived integration of risk in organisation	● Very high level of perceived integration of risk in organisation
Perceived comfort with own risk management role	● Unaware level	● Very low level of comfort	● Low level of comfort	● Medium level of comfort	● High level of comfort	● Very high level of comfort
Perceived fairness of risk-taking incentives	● Unaware level	● Very low level of fairness	● Low level of fairness	● Medium level of fairness	● High level of fairness	● Very high level of fairness

Below are scores of participants supporting the Risk Culture Maturity Model

	Scores		
	Perception of risk integration in organisation	Perceived comfort with own risk management role	Perceived fairness of risk-taking incentives
All participants	2.3	3.5	1.6

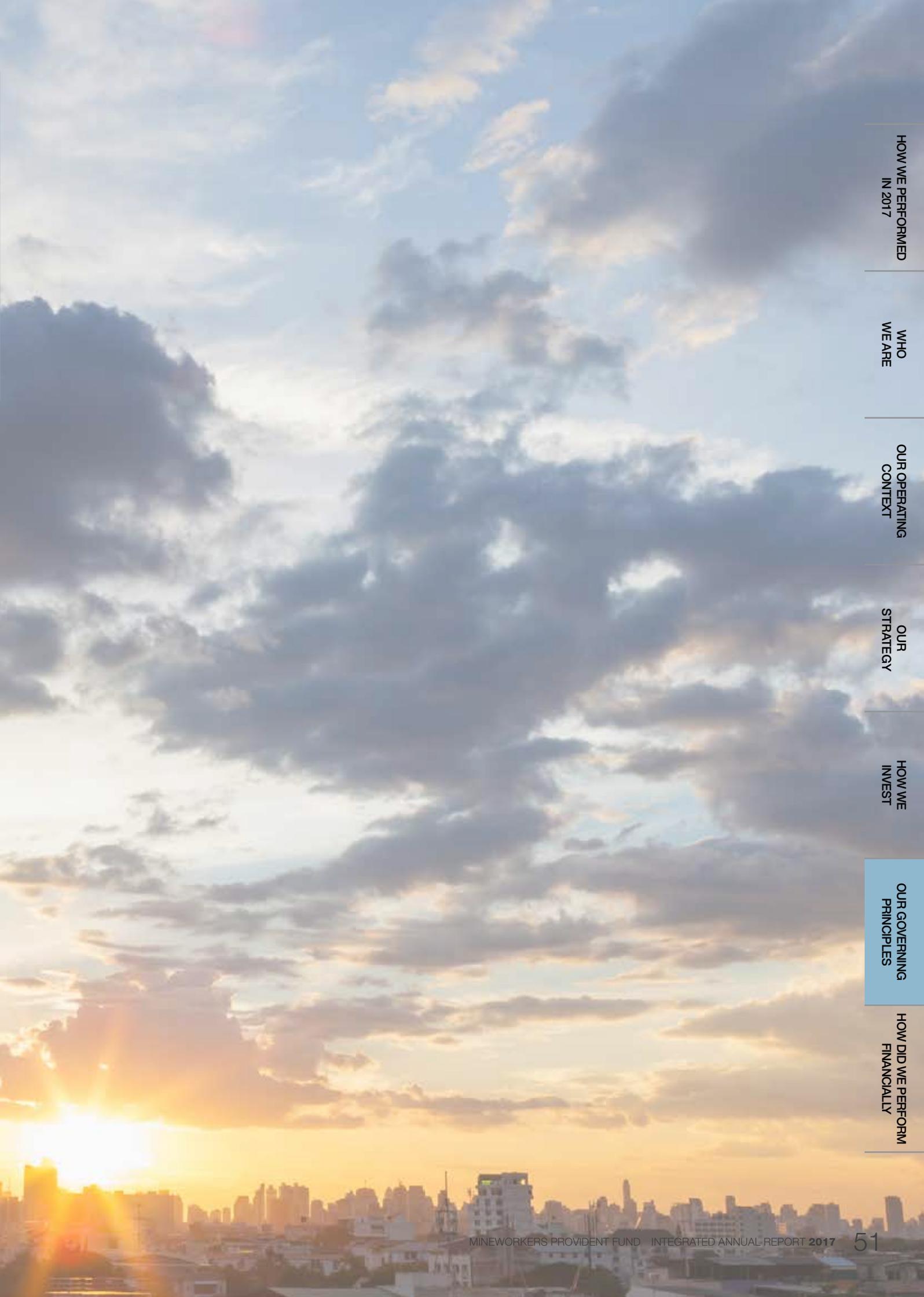
06

OUR GOVERNING PRINCIPLES

Our Principle Officer's report

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HOW WE PERFORMED
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PRINCIPLE OFFICER'S REPORT



FLEXIBLE AND INTEGRATED HR CAPABILITIES

Corporate governance is the system by which companies are directed and controlled. Boards of directors are responsible for the governance of their companies. The responsibilities of the board include setting the company's strategic aims, providing the leadership to put them into effect, supervising the management of the business and reporting to shareholders on their stewardship.

Corporate governance is therefore about what the board of a company does and how it sets the values of the company. There is clear evidence of a link between good governance and better outcomes in an organisation.

The central role of the Board is not only to operate within a particular legal framework and policies but to also adopt an approach which in the long run ensures that the interests of members are protected. This is achieved by incorporating good governance in decision-making. Without a robust governance and statutory mechanisms, the very aim of a pension fund would be undermined. At Mineworkers Provident Fund, good governance is always on top of the agenda and the Board continuously strives to improve on its governance.

The Board of the Mineworkers Provident Fund is managed by nine employer trustees, nine member trustees and two independent trustees (Chairperson of the Board and the Chairperson of the Audit and Risk sub-committee). The Board is comprised of individuals with diverse backgrounds, skills and experience, this encourages robust discussions at the board and thorough engagement leading to the decision-making process.

TERM OF OFFICE

The term of office of the Board is three years. The trustees are appointed by the founding Sponsors, the National Union of Mineworkers and the Chamber of Mines whenever a trustee's term ends. In the year under review, three new trustees were appointed by the Sponsors to serve on the Board. The terms of nine trustees were also renewed in the period under review.

BOARD OF TRUSTEES DUTIES AND RESPONSIBILITIES

In terms of Circular PF130 on good governance of retirement funds, the Board is responsible for directing, controlling and overseeing the operations of the Fund in accordance with applicable laws and in accordance with the rule of the Fund. Section 7 of the Pension Funds Act provides that the trustees, collectively and individually owe a duty of good faith and to act with due care, diligence and good faith. The Board is also responsible for providing strategic guidance

and ensuring good corporate governance and ethics.

BOARD OF TRUSTEES EVALUATIONS

In the year under review, the Board conducted an evaluation of itself for the first time. The outcomes of the evaluation revealed that the Board has healthy governance principles with a score of above 85%. This indicates that although the governance principles are solid, there is room for improvement. The Board intends to evaluate itself and its sub-committees once annually in order to improve on its current performance and to benchmark itself against international standards.

INDUCTION AND ONGOING TRAINING

The Board has put in place a policy that deals with training and induction of new and existing trustees. The Board considers this to be vital so as to enable trustees to execute their fiduciary duties and responsibilities.

In the year under review, the Board attended a number of training sessions, conferences and seminars.

BOARD OF TRUSTEES PROCEEDINGS

The Board meets at least four times a year to monitor management's achievements against set objectives and to also to monitor compliance with policies and set frameworks. Additional special meetings may be held in the event of pressing matters that require the Board.

During the period under review, eight Board meetings were held, four of which were special meetings.

The Chairman of the Board presides over the meetings of the Board and guides inputs and contribution of the Trustees. Decisions of the Board are reached by way of a consensus. The Board operates within a frameworks and approved Terms of Reference which are reviewed every three years or as and when required to ensure their relevance.

BOARD COMMITTEES

During the year under review, the Board revised the number of sub-committees from seven to five by combining the Communications and Benefits sub-committees and the Death and Unclaimed Benefit sub-committees (now Administration). The purpose of this was to ensure efficiency in the work performed by these sub-committees and to also respond to the needs and the nature

"Good governance is summed up as involving fairness, accountability, responsibility and transparency on a foundation of intellectual honesty."

Mervyn King

of the Fund. Each sub-committee's mandate is outlined in the Terms of Reference that are reviewed often to ensure relevance. Each sub-committee operates within the approved Terms of Reference and delegated authority as approved by the Board. Each Committee nominates a Chairperson whose term is for one year. The chairmanship alternates between employer and member trustees each year.

The following committees have therefore been established to focus on specific areas of the Fund:

- Audit and Risk Committee
- Investment Committee
- Communication and Benefits Committee
- Administration Committee
- Human Resources and Remuneration Committee

AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Committee consists of (12) of trustees including an independent Chairperson who is appointed by the Board. The Audit and Risk meetings are usually attended by internal and external auditors, the Chief Executive Officer, the Principal Officer and the Chief Financial Officer. Other members of staff attend by invitation. In the period under review, six meetings were held.

The Audit and Risk Committee is constituted as a committee of the Board and assists the Board in promoting the effective governance of the Fund, establishing and maintaining effective control environment over all operations, evaluate the reliability and integrity of information, evaluate compliance with policies, plans, laws, rules of the Fund and regulations, effective management of risk and to ensure compliance with Corporate Governance.

The Audit and Risk Committee is also responsible for the evaluation of the independence, objectivity and effectiveness of the Internal and External Auditors, as well as the review of accounting and audit concerns identified by the Internal and External Audit.

The key achievements of the committee for the period under review were recommending new external auditors after having the previous auditors for close to 10 years. The committee was also responsible for ensuring that proper governance and compliance policies were in place and existing ones were strengthened.

INVESTMENT COMMITTEE

The Investment Committee consists of (10) of trustees including the Chairperson, with the Chief Executive Officer and Principal Officer in attendance. Four meetings were held during the period under review. The Investment Committee is tasked with developing and regularly reviewing the Fund's Investment Policy Statement, recommending the appointment or termination of asset managers to the Board, ensure that proper contractual agreements are in place for asset managers and monitoring the managers on the achievement of their mandates, monitoring the appointed asset managers on their adherence to their mandate and their principles of their mandate and any policies on proxy voting, shareholder activism and ESG guidelines. The committee also bears the responsibility of monitoring the Fund's performance and perform regular Asset Liability matching exercises.

The key achievements for the sub-committee were the formulation of the transformation policy together with the ESG policy. Further, in the year under review and the rebalancing of the portfolio in order to take advantage of the returns earned by various asset classes.

COMMUNICATION AND BENEFITS COMMITTEE

The Communication and Benefits Committee consists of (13) of Trustees including the Chairperson. During the period under review, five meetings were held, one of which was a special meeting. The Principal Officer and the Chief Executive Officer are permanent members of the Committee.

The Communications and Benefits Committee is responsible for monitoring and overseeing the implementation of the Board's Communication strategy and to deal with any communication matters referred to the sub-committee by the Board or any communications matters that the sub-committee may deem necessary. The committee is also responsible for the consideration and recommendation of rule changes where appropriate and applicable and benefits proposals. The committee is further tasked with investigation and consideration of all other issues related to the benefits provided by the Fund except issues pertaining to the distribution of death benefits in terms of section 37C of the Pensions Fund Act.

One of the key achievements for the committee was conducting a member survey which sought to obtain feedback from our members on communication from the Fund. The results of the survey were such that it enabled the committee to revise its communication strategy in line with the feedback from members. The committee also finalised the appointment of a new home loan service provider. It was also under this Committee that the Fund opened its first office in Mozambique in order to assist members and beneficiaries who would otherwise travel to South Africa to claim their benefits.

ADMINISTRATION COMMITTEE

The committee consists of (13) trustees including the Chairperson. In the period under review, four meetings were held.

The committee also assists the Board with the development of the guidelines and administrative procedures for the payment of benefits. The committee is delegated with the authority to deal with the administration aspects of payment of benefits including unclaimed benefits and death benefit claims requiring discretion for purposes of making a recommendation to the Board. In the year under review, the committee oversaw several roadshows within the borders of South Africa and outside. The committee was also responsible that these unclaimed benefits are processed as quickly as possible upon return.

HUMAN RESOURCES AND REMUNERATION COMMITTEE

The Committee consists of (10) of trustees including the Chairperson. In the period under review, six meeting were held, two of which were special meetings.

The Human Resource Committee is responsible for approving Human Resources Policies and strategies, monitors compliance with all relevant legislation, statutory requirements and best practices. The committee also determines executive remuneration in terms of best corporate practices and makes recommendations to the Board in this regard.

The key achievements for the period under review was the employee engagement survey that was conducted. The committee also recommend the appointment of a business development manager who will be responsible for driving member growth within the Fund.

07

HOW DID WE PERFORM FINANCIALLY

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CHIEF FINANCIAL OFFICER'S REPORT



Results for 2017 show that the Fund has continued to consolidate the achievements gained in previous years and has grown its asset base.

Audited Financial Statements

Our external auditors have issued a **clean audit opinion for seven years** since self-administration.

Treasury management

- The **Fund has maintained a positive cash flow throughout 2017** and interest earned from investments and cash holdings has increased by **300%**.
- **New revenue streams continue to grow year-on-year** with the cumulative balance standing at over **R200 million** as at the end of the 2017 financial year.
- We focused our attention on **increasing our building occupancy** to above **60%**.

Risk Management Framework

- The Board is responsible for reviewing, ratifying and overseeing systems of risk management and internal control, and legal compliance. Our approach to risk management has been defined in the **Risk Management Framework** approved by the Board.

“Assets under management have increased by more than 80% over the last years.”

Sam Bandah (CFO)

Risk and Assurance

Our Risk and Assurance ensures the following:

- Our Risk Management is informed by **proactive and integrated** approach.
- Material risks are **appropriately identified** and managed.
- Internal controls are both designed and **operating effectively**.
- Resources are acquired economically, used **effectively and adequately** protected.
- Significant financial, **operational and managerial information is accurate**, reliable and timely.
- Significant **legislative and regulatory issues** impacting the Fund are recognised and appropriately addressed.
- Fraud and **business conduct matters** are identified or brought to the attention of management.
- The requirements set out in **policies, standards and authorities** are met.

Risk management and financial reporting

- The management of **financial risk and financial reporting risk** is a key focus of the Board, Audit and Risk Management Committee and the Executive Management team.
- Executive Management Committee is responsible for **implementing and maintaining internal controls** to manage financial and financial reporting risks and the Audit and Risk Management Committee establishes and oversees the Risk Management Framework on behalf of the Board.

REGULATORY INFORMATION

REGISTERED OFFICE OF THE FUND

Postal address: PO Box 1583
Johannesburg, 2001

Physical address: Mineworkers Provident Fund Building
4th Floor
No. 26 Ameshoff Street
Braamfontein
2001

FINANCIAL REPORTING PERIODS

Current year: 1 January 2017 to 31 December 2017
Prior year: 1 January 2016 to 31 December 2016

BOARD OF FUND

Full name	E-mail Address	Capacity	Date appointed	Date resigned
B Mrasi	mjafta@num.org.za	A	27 June 2017	
K Mothae (Re-appointed 11/03/2016)	kenny.mothae@norplats.co.za	E	21 August 2008	
S Wall (Re-appointed 1/09/2017)	Stephwall087@gmail.com	E	1 September 2008	
D Ngwane (Re-appointed 10/03/2016)	dngwane@num.org.za	M	1 January 2013	
M Brownie (Re-appointed 1/10/2015)	mjbrownie@telkomsa.net	E	9 April 2009	
M Nhlanhla (Re-appointed 1/06/2015)	mnhlanhla@mineworkers.co.za	M	8 May 2009	
M Sebitlo (Re-appointed 14/03/2016)	msebitlo@anglogoldashanti.com	M	8 May 2009	
M J Kuscus (Re-appointed 15/06/2017)	mkuscus@vodamail.co.za	I	12 November 2010	
M Lesabe (Re-appointed 27/06/2017)	mlesabe@num.org.za	A	24 February 2015	
L Nkopane	lmakhubelo@num.org.za	M	14 March 2016	
C Overmeyer	caleb.overmeyer@goldfields.co.za	E	1 March 2017	
V Bangani	Vbangani@num.org.za	A	27 June 2017	
W Van Heerden (Re-appointed 1/04/2016)	willem.vanheerden@angloamerican.com	E	1 April 2013	
J Mabuza (Re-appointed 1/04/2017)	joseph.mabuza@harmony.co.za	A	1 August 2013	
W Du Toit (Re-appointed 1/05/2016)	wmg07dutoit@gmail.com	E	7 April 2010	
G Fischer	gaby.fischer@harmony.co.za	A	1 April 2017	
M Mweli	mlulameli.mweli@harmony.co.za	A	27 June 2017	
R Mguzulu (Re-appointed 27/06/2017)	richard.mguzulu@optimumcoal.com	M	27 March 2014	
M Njengele	mongezi.njengele@sibanyegold.co.za	A	1 February 2015	24 March 2017
S Maetle	serame.maetle@harmony.co.za	E	1 May 2016	
P Mathibela	pmathibela@chamberofmines.org.za	E	1 November 2015	
T Kgokolo (Re-appointed 31/03/2016)	mtimango@gmail.com	I	31 March 2014	
J Montisetse	jmontisetse@num.org.za	M	14 March 2016	
E Kekana (Re-appointed 27/06/2017)	ekekana@num.org.za	M	27 March 2014	
J Mosemeng (Re-appointed 1/05/2017)	john.mosemeng@sibanyestillwater.com	E	1 March 2016	
Z Dlamini (Re-appointed 27/06/2017)	dlamini.zomba@gmail.com	A	27 March 2014	

M denotes union appointed
E denotes employer appointed
A denotes alternate
I denotes independent

Governance note: schedule of meetings* held by the Board of Fund in terms of the rules of the Fund.

Meeting date	Place of meeting	Quorum (yes/no)
24 March 2017	26 Ameshoff Street, Braamfontein	Yes
11 April 2017	26 Ameshoff Street, Braamfontein	Yes
19 May 2017	26 Ameshoff Street, Braamfontein	Yes
15 June 2017	26 Ameshoff Street, Braamfontein	Yes
4 July 2017	26 Ameshoff Street, Braamfontein	Yes
14 September 2017	26 Ameshoff Street, Braamfontein	Yes
28 September 2017	26 Ameshoff Street, Braamfontein	Yes
30 November 2017	26 Ameshoff Street, Braamfontein	Yes

* Only meetings held by the Board of Fund and does not include meetings held by the sub-committees.

FUND OFFICERS

Principal Officer

Full name	Postal address	Physical address	Telephone number	E-mail address	Date appointed
Ms Philda Mphephu	P O Box 1583 Johannesburg 2001	Mineworkers Provident Fund Building 4th Floor No. 26 Ameshoff Street Braamfontein 2001	(010) 100 3000	pmphephu@mineworkers.co.za	1 June 2016

Monitoring person*

Full name	Postal address	Physical address	Telephone number	E-mail address	Date appointed
Ms Philda Mphephu	P O Box 1583 Johannesburg 2001	Mineworkers Provident Fund Building 4th Floor No. 26 Ameshoff Street Braamfontein 2001	(010) 100 3000	pmphephu@mineworkers.co.za	1 June 2016

* (In terms of Section 13A of the Pension Funds Act).

REGULATORY INFORMATION (continued)

PROFESSIONAL SERVICE PROVIDERS

Actuary/valuator

Full name	Postal address	Physical address	Telephone number	E-mail address	Date appointed
Mothapo, FASSA	Ground Floor, No 2 Exchange Square 85 Maude Street Sandown Johannesburg 2196	Ground Floor, No 2 Exchange Square 85 Maude Street Sandown Johannesburg 2196	(011) 784 2309	ranti@moruba.co.za	1 April 2016

Auditor

Full name	Postal address	Physical address	Telephone number	E-mail address	Date appointed	Date resigned
Ernst & Young Inc.	Private Bag X14 Northlands, 2116	102 Rivonia Road Sandton, 2146	(011) 772 3000	riana.eygelsheim@za.ey.com		31 December 2017
Sizwe Ntsaluba Gobodo	PO Box 2939 Saxonwold 2132	20 Morris Street East Woodmead 2191	(011) 231 0600	SifisoC@sng.za.com	1 January 2018	

Benefit Administrator

Full name	Postal address	Physical address	Telephone number	Date appointed	Registration number in terms of Section 13B
Mineworkers Provident Fund	P O Box 1583 Johannesburg 2001	Mineworkers Provident Fund Building 4th Floor No. 26 Ameshoff Street Braamfontein 2001	(010) 100 3000	1 January 2011	Not applicable – Self administered

Investment Administrator

Full name	Postal address	Physical address	Telephone number	Date appointed	FAIS registration number
Old Mutual Life Assurance Company (South Africa) Ltd	P O Box 1014 Cape Town 8000	Mutualpark Jan Smuts Drive Pinelands 7405	(021) 509 4410	1 January 2008	FSP 604
Aluwani Capital Partners	Private Bag X2 Bryanston 2021	EPPF Office Park 24 Georgian Crescent East Bryanston East 2152	(021) 204 3800	3 November 2005	FSP 46196
Stanlib Asset Management Limited	P O Box 202 Melrose Arch Johannesburg 2000	17 Melrose Boulevard Arch Melrose Arch Johannesburg 2000	(011) 448 6400	29 May 2013	FSP 719

Full name	Postal address	Physical address	Telephone number	Date appointed	FAIS registration number
Coronation Asset Management (Pty) Ltd	P O Box 993 Cape Town 8000	Boundary Terraces 1 Mariendahl Lane Newlands 7700	(021) 680 2219	1 August 2005	FSP 548
Prudential Portfolio Managers (South Africa) (Pty) Ltd	P O Box 44813 Claremont 7735	7th Floor Protea Place 40 Dreyer Street Claremont 7708	(021) 670 5100	1 August 2005	FSP 615
Allan Gray Ltd (Orbis Investment Management)	P O Box 51318 Cape Town 8001	Granger Bay Court Beach Road V&A Waterfront Cape Town 8001	(021) 415 2300	24 January 2008	FSP 6663
Investec Asset Management (Pty) Ltd	P O Box 13 Cape Town 8000	8th Floor 125 Buitengracht Street Cape Town 8001	(021) 426 1313	6 October 2010	FSP 587
Old Mutual Life Assurance Company (SA) Ltd (Community Growth Management Company Ltd)	P O Box 248 Mutual Park 7451	Jan Smuts Drive Pinelands 7405	086 010 3180	21 April 2006	FSP 604
Argon Asset Management (Pty) Ltd	P O Box 482 Cape Town 8000	18th Floor Metropolitan Centre No 7 Coen Steytler Avenue Foreshore Cape Town 8000	(021) 441 2460	9 October 2009	FSP 835
Afena Capital (Pty) Ltd	P O Box 23883 Claremont 7735	Fifth Floor Montclare Place Cnr Campground & Main Roads Claremont Cape Town 7735	(021) 657 6240	9 October 2009	FSP 25033
Mianzo Asset Management (Pty) Ltd	P O Box 1210 Milnerton 7435	Unit GG01 The Forum North Bank Lane Century City 7441	(021) 552 3555	1 February 2014	FSP43114
Kagiso Asset Management (Pty) Ltd	P O Box 1016 Cape Town 8000	Fifth Floor Montclare Place Cnr Campground & Main Roads Claremont Cape Town 7708	(021) 673 6300	1 August 2009	FSP 784

REGULATORY INFORMATION (continued)

Full name	Postal address	Physical address	Telephone number	Date appointed	FAIS registration number
Momentum Group Limited (previously Metropolitan Life Ltd)	P O Box 2212 Cape Town Bellville 7530	Mispel Street Building 4 Pare Du Cap Bellville 7530	(021) 917 3593	3 November 2005	FSP 623
Sanlam Life Insurance Ltd	P O Box 1 Sanlamhof Cape Town 7532	2 Strand Road Bellville Cape Town 7530	(021) 947 2225	1 January 2011	FSP 2759
Mergence Investment Managers (Pty) Ltd	P O Box 8275 Roggebaai 8012	6th Floor The Equinox Corner of Main & Milton Road Sea Point Cape Town 8005	(021) 433 2960	1 October 2010	FSP 16134
Balondolozzi Investment Services	P O Box 542 Melrose Arch Melrose 2076	3rd Floor Old Trafford 1 Isle of Houghton 2198	0860 126 2270	31 January 2014	FSP 42188
Prowess Investment Managers (Pty) Ltd	Private Bag 15086 Vlaeberg 8078	Unit 2A 6th Floor 186 Loop Street Cape Town 8001	(021) 565 0065	31 January 2014	FSP 43191
Ashburton Investments	P O Box 782027 Sandton 2146	3rd Floor 4 Merchant Place 1 Fredman Drive Sandton 2196	(011) 282 1147	21 September 2015	FSB 40169
Vantage Capital	P O Box 280 Parklands 2121	Unit 9B 1st Floor Melrose Boulevard Melrose Arch 2076	(011) 530 9100	14 July 2015	FSP 45610
SEI Investments South Africa (Pty)Ltd	Postnet Suite 426 Private Bag X1 Melrose Arch 2076	1st floor Unit SA 3 Melrose Boulevard Melrose Arch 2196	(011) 994 4202	1 August 2016	FSP 13186
Investec Global Strategy Fund	P O Box 1655 Cape Town 8000	36 Hans Strijdom Avenue Foreshore Cape Town South Africa 8001	(021) 416 1674	1 August 2016	FSP 587
Legacy Africa Fund Managers	P O Box 2015 Morningside 2057	4th Floor The Firs Cnr Cradock Ave & Biermann Lane Rosebank 2196	(011) 759 4012	1 July 2016	FSP 44651

Investment Advisor

Full name	Postal address	Physical address	Telephone number	Date appointed	FAIS registration number
27four Investment Managers	P O Box 522417 Saxonwold Johannesburg 2132	54 on Bath Ground Floor 54 Bath Avenue Rosebank 2196	(011) 442 2465	1 January 2016	31045

Risk Insurer

Full name	Postal address	Physical address	Telephone number	FSP approval no
MMI Group Limited	P O Box 2212 Bellville 7535	Pare Du Cap Mispel Road Bellville 7535	(021) 940 5902	FSB 3780

Custodian and/or Nominee

Full name	Postal address	Physical address	Telephone number	FSP approval no
Allan Gray Ltd	P O Box 51318 V&A Waterfront Cape Town 8002	1 Silo Square V&A Waterfront Cape Town 8001	(021) 415 2300	FSB 19896
Momentum Group Ltd	P O Box48 Newlands 7725	Great Westerford Main Road Ronderbosch Cape Town, 7700	(021) 658 6000	FSB 6406

Other

Full name	Postal address	Physical address	Telephone number	FSP approval no
FirstRand Bank Ltd (First National Bank)	P O Box 7713 Johannesburg 2000	Bank City 3 First Place Mezzanine Floor Cnr Simmonds & Jeppe Streets Johannesburg 2000	(011) 371 3944	FSB 3071

PARTICIPATING EMPLOYERS

The list of participating employers is available for inspection at the Fund's registered office.

STATEMENT OF RESPONSIBILITY BY THE BOARD OF FUND

for the year ended 31 December 2017

RESPONSIBILITIES

The Board of the Fund hereby confirm that to the best of their knowledge and belief, during the year under review, in the execution of their duties, they have complied with the duties imposed by Pension Funds Act legislation and the rules of the Fund, including the following:

- Ensured that proper registers, books and records of the operations of the Fund were kept, inclusive of proper minutes of all resolutions passed by the Board of Fund;
- Ensured that proper internal control systems were employed by or on behalf of the Fund;
- Ensured that adequate and appropriate information was communicated to the members of the Fund, informing them of their rights, benefits and duties in terms of the rules of the Fund;
- Took all reasonable steps to ensure that contributions, where applicable, were paid timeously to the Fund or reported where necessary, in accordance with Section 13A and Regulation 33 the Pension Funds Act in South Africa;
- Obtained expert advice on matters where they lacked sufficient expertise;
- Ensured that the rules and the operation and administration of the Fund complied with the Pension Funds Act and all applicable legislation;
- Ensured that fidelity cover was maintained and that this cover was deemed adequate and in compliance with the rules of the Fund; and
- Ensured that investments of the Fund were implemented and maintained in accordance with the Fund's investment strategy.

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The annual financial statements of Mineworkers Provident Fund are the responsibility of the Board of Fund. The Board of Fund fulfills this responsibility by ensuring the implementation and maintenance of accounting systems and practices adequately supported by internal financial controls. These controls, which are implemented and executed by the Fund and/or its benefit administrators, provide reasonable assurance that:

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

The annual financial statements set out on pages 77 to 100 have been prepared for regulatory purposes in accordance with the Regulatory Reporting Requirements for Retirement Funds in South Africa, the Rules of the Fund and the Pension Funds Act.

These annual financial statements have been reported on by the independent auditors, Sizwe Ntsaluba Gobodo, who was given unrestricted access to all financial records and related data, including minutes of all relevant meetings. The Board of Fund believes that all representations made to the independent auditors in the management representation letter during their audit were valid and appropriate. The report of the independent auditors is presented on pages 67 to 68.

INSTANCES OF NON-COMPLIANCE

The following instances of non-compliance with Acts, Legislation, Regulations and Rules, including the provisions of laws and regulations that determine the reported amounts and disclosures in the financial statements came to our attention and were rectified before the Board of Fund's approval of the financial statements:

Nature and cause of non-compliance	Impact of non-compliance matter on the Fund	Corrective course of action taken to resolve non-compliance matter
Section 14 transfers (Out) application date exceeds 180 days from effective date.	The Fund is in breach of the Pensions Funds Act with regard to the submission of Section 14 transfers.	Processes have been put in place by the Principal Officer to ensure that all Section 14 transfers are submitted to the Financial Services Board within the 180-day time frame.
Section 14 transfers (In) application date exceeds 180 days from effective date.	The Fund is in breach of the Pensions Funds Act with regard to the submission of Section 14 transfers.	Processes have been put in place by the Principal Officer to ensure that all Section 14 transfers are submitted to the Financial Services Board within the 180-day time frame.
Section 14 transfers (Out) assets not transferred within 60 days of FSB approval.	The Fund is in breach of the Pensions Funds Act with regard to the submission of Section 14 transfers.	Processes have been put in place by the Principal Officer to ensure that all Section 14 transfers are submitted to the Financial Services Board within the 60-day time frame.

Nature and cause of non-compliance	Impact of non-compliance matter on the Fund	Corrective course of action taken to resolve non-compliance matter
Rule 3(1) (a) requires the Fund to be administered and controlled by Nineteen Trustees of whom nine shall be known as the member trustees and nine shall be known as employer trustees. At the end of the reporting period, the board consisted of seven member trustees and nine employer trustees.	The Fund is in breach of the Rules of the Fund with regard to the requirement for the number of Board Trustees.	The Fund has communicated to the sponsors to remedy the non-compliance issue and will ensure that the Board constitution is in terms of the rules of the Fund.
Rule 23A(1) contributions are payable to the Fund with seven days from the end of the calendar month for which the contributions relate and late payment interest is levied on late contributions in terms of Section 13A(7)(1)	The Fund is in breach of the Rules of the Fund read with Section 13A(7)(1) of the Act.	Processes have been put in place to ensure that interest calculations are done for late payment and letters sent out timeously.
Section 37D(1)(a)(ii), the Pension Funds Act 24 of 1956 (PFA), a registered fund may deduct from the amount payable any amount for which the fund becomes liable under a guarantee furnished in respect of a member for a loan granted by some other person to the member in terms of section 19(5)	The Fund is in breach of Section 37D(1)(aa) with regards to the deduction of housing loans owed by members	Processes have been put in place to ensure that all housing loans are deducted prior to payment of lump sum benefits. Quarterly reports from housing loans service providers will be checked against the system for any arrears.

These annual financial statements:

- were approved by the Board of Fund on 14 June 2018;
- are to the best of the Board members knowledge and belief confirmed to be complete and correct;
- fairly represent the net assets of the Fund at 31 December 2017 as well as the results of its activities for the year then ended; and
- are signed on behalf of the Board of Fund by:

M J Kuscus

(Re-appointed 15 June 2017)

Chairman

14 June 2018

W Du Toit

(Re-appointed 1 May 2016)

Employer Trustee

14 June 2018

E Kekana

(Re-appointed 27 June 2017)

Member Trustee

14 June 2018

Mineworkers Head Office
26 Ameshoff Street
Braamfontein

STATEMENT OF RESPONSIBILITY BY THE PRINCIPAL OFFICER

for the year ended 31 December 2017

I confirm that for the year under review the Mineworkers Provident Fund has timeously submitted all regulatory and other returns, statements, documents and any other information as required in terms of the Pension Funds Act and to the best of my knowledge all applicable legislation except for the following:

Specific instances of non-compliances	Remedial action taken
Section 14 transfers (Out) application date exceeds 180 days from effective date.	The Section 14 transfers were all submitted to the Financial Services Board.
Section 14 transfers (In) application date exceeds 180 days from effective date.	The Section 14 transfers were all submitted to the Financial Services Board.
Section 14 transfers (Out) assets not transferred within 60 days of FSB approval.	Processes have been put in place to ensure that all Section 14 transfers are transferred within the 60-day time frame.
Rule 3(1) (a) requires the Fund to be administered and controlled by nineteen Trustees of whom Nine shall be known as the Member Trustees and Nine shall be known as Employer Trustees. At the end of the reporting period, the board consisted of Seven Member Trustees and Nine Employer Trustees.	The Fund has communicated to the sponsors to remedy the non-compliance issue and will ensure that the Board constitution is in terms of the rules of the Fund.
Rule 23A(1) contributions are payable to the Fund with seven days from the end of the calendar month for which the contributions relate and late payment interest is levied on late contributions in terms of Section 13A(7)(1)	Processes have been put in place to ensure that interest calculations are done for late payment and letters sent out timeously.
Section 37D(1)(a)(ii), the Pension Funds Act 24 of 1956 (PFA), a registered fund may deduct the amount payable any amount for which the fund becomes liable under a guarantee furnished in respect of a member for a loan granted by some other person to the member in terms of Section 19(5)(e)	Processes have been put in place to ensure that all housing loans are deducted prior to payment of lump sum benefits. Quarterly reports from housing loans service providers will be checked against the system for any arrears.

Ms Philda Mphephu

Principal Officer

14 June 2018

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF FUND OF MINEWORKERS PROVIDENT FUND

for the year ended 31 December 2017

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Mineworkers Provident Fund ("the Fund") set out on pages 77 to 100, which comprise the statement of net assets and funds as at 31 December 2017 and the statement of changes in net assets and funds for the year then ended, and notes to the financial statements, including a summary of significant accounting policies. The financial statements are prepared for the purpose of reporting to the Registrar of Pension Funds.

In our opinion, the financial statements of Mineworkers Provident Fund for the year ended 31 December 2017 are prepared, in all material respects, in accordance with Regulatory Reporting Requirements for Retirement Funds in South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa.

We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – financial reporting framework and restriction on use

We draw attention to basis of preparation of the financial statements on page 79, note 1.1, which describes the principal accounting policies in which the applicable financial reporting framework is identified, as prescribed by the Registrar. Consequently, the financial statements and related auditor's report may not be suitable for another purpose. Our opinion is not qualified in respect of this matter.

Other information

The Board of Fund is responsible for the other information. The other information comprises the information included in the Annual Financial Statements in terms of section 15 of the Pension Funds Act of South Africa, of the Fund for the period 1 January 2017 to 31 December 2017, but does not include the financial statements (Schedules F, G and HA) and our auditor's report thereon (Schedule D).

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Fund for the Financial Statements

The Board of Fund is responsible for the preparation of the financial statements in accordance with the Regulatory Reporting Requirements for Retirement Funds in South Africa and for such internal control as the Board of Fund determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Fund is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Board of Fund either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

HOW WE PERFORMED
IN 2017

WHO
WE ARE

OUR OPERATING
CONTEXT

OUR
STRATEGY

HOW WE
INVEST

OUR GOVERNING
PRINCIPLES

HOW DID WE PERFORM
FINANCIALLY

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF FUND OF MINEWORKERS PROVIDENT FUND

(continued)

for the year ended 31 December 2017

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Conclude on the appropriateness of the Board of Fund's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Fund.

We communicate with the Board of Fund regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with our responsibilities in terms of Sections 44(2) and 44(3) of the Auditing Profession Act, we report that we have identified reportable irregularities in terms of the Auditing Profession Act. We have reported to the Independent Regulatory Board for Auditors that, the Fund was in contravention with the requirements of Section 37D(1)(a)(ii) of the Pension Fund Act of South Africa by failing to deduct the amount from the benefits payable to members who were leaving the Fund. The Fund becomes liable under a guarantee furnished in respect of a member for a loan granted by some other person to the member in terms of Section 19(5) of the Pension Fund Act of South Africa.

SizweNtsalubaGobodo Inc.

Director: Vincent Motholo

Chartered Accountant (SA)

Registered Auditor

Johannesburg

22 June 2018

REPORT OF THE BOARD OF FUND

for the year ended 31 December 2017

HOW WE PERFORMED
IN 2017

WHO
WE ARE

OUR OPERATING
CONTEXT

OUR
STRATEGY

HOW WE
INVEST

OUR GOVERNING
PRINCIPLES

HOW DID WE PERFORM
FINANCIALLY

1. DESCRIPTION OF FUND

1.1 Type of fund in terms of the Income Tax Act, 1962

In terms of section 1 of the Income Tax Act, 1962 the Fund is classified as a provident fund. The Fund is a defined contribution fund.

1.2 Benefits

1.2.1 Payments of the retirement benefits, withdrawal benefits and death benefits to members of the Fund and/or their dependants.

1.2.2 The Fund has retained membership and benefit records of members who have unclaimed benefits within the Fund. Where benefits remain unclaimed for a period of more than six months, such benefits were taxed in terms of General Note 35 issued by the South African Revenue Service until 1 March 2009 when the General Note ceased to have effect and benefits will be classified as unclaimed if outstanding for more than 24 months.

1.3 Contributions

Gold mines:

The total contribution payable by and in respect of each member in the gold mines, who are subject to the Wage Agreement 2005/6 concluded between NUM, United Association of South Africa, Solidarity and Chamber of Mines on 23 August 2005, shall be:

- For purposes of retirement funding, 14.5% of wages actually earned each month, plus for purposes of risk benefits, 7% of deemed monthly earnings, which is reduced by the cost of funeral benefits by a separate policy of insurance.

Collieries:

The total contribution payable by and in respect of each member in the collieries, who are subject to the wage Agreement 2005/6 concluded between NUM, United Association of South Africa, Solidarity and Chamber of Mines on 2 September 2005, shall be:

- For members employed by Anglo Coal, Exxaro Coal Mpumalanga, Kangra Coal, Springlake Colliery or Xstrata Coal, in categories 3 to 8:
- For purposes of retirement funding, 15.5% of wages actually earned each month, plus for purposes of risk benefits, 6% of deemed monthly earnings, which is reduced by the cost of funeral benefits by a separate policy of insurance.
- For members employed by Demas Coal in categories 3 to 8:
- For purposes of retirement funding, 14.5% of wages actually earned each month, plus for purposes of risk benefits, 6% of deemed monthly earnings, which is reduced by the cost of funeral benefits by a separate policy of insurance.
- For members employed by Ingwe Collieries (now known as BHP Billiton Energy South Africa (Pty) Ltd) in categories 3 to 8:
- For purposes of retirement funding, 16.5% of wages actually earned each month, plus for purposes of risk benefits, 6% of deemed monthly earnings, which is reduced by the cost of funeral benefits by a separate policy of insurance.

For all other members:

For purposes of retirement funding, 14% of wages actually earned each month, plus for purposes of risk benefits, 6% of deemed monthly earnings, which is reduced by the cost of funeral benefits by a separate policy of insurance.

The board of trustees can accept such lower contribution rate for purposes of retirement funding for all or a category of employees as an employer who was a participating employer on 1 July 1997 as set out in the agreement as per Rule 17(1) of the rules of the Fund.

Members may pay additional voluntary contributions (AVCs) to the Fund.

1.4 Rule amendments

There were no Rule Amendments for 2016. Revised rules were submitted to the Registrar in October 2016. The Revised Rules have not been approved as at the date of the report.

REPORT OF THE BOARD OF FUND (continued)

for the year ended 31 December 2017

1.5 Reserves and specified accounts established in terms of the rules of the Fund

1.5.1 Reserves

The assets of the Fund are held in three accounts, which are known as the Members Individual Account, Risk Reserve Account and the Investment Reserve Account. The assets comprising the members' individual account shall be allocated amongst the members and the records shall be maintained as such. The assets comprising the Investment Reserve Account shall be allocated to all accounts in terms of Rule 24(4)(b)(i) and in terms of Rule 24(B)(5). The assets comprising the Risk Reserve Account shall not be allocated amongst the members but shall be maintained for the Fund as a whole. Each account shall be maintained separately from the others and transfers between accounts shall take place only as specified in the Rules.

Members account:

The following transactions are recorded in this account:

Credits:

- Contributions made by members for retirement funding in terms of Rule 22(2);
- Any contributions made by the members in terms of Rule 25(5);
- Any transfers from the Risk Reserve Account in terms of Rule 24A;
- Investment earnings transferred from the Investment Reserve Account; and
- Deemed contributions in terms of Rule 23 of the rules of the fund.

Debits:

- Benefits paid in terms of Rules 25 (retirement), 26 (disability), 27 (death), 28 (retrenchment), 29 (resignation);
- Transfers to another fund;
- Amounts deducted for outstanding housing loans as per the housing loan guarantee scheme; and
- Any tracing costs referred to in Rule 38(b).

Risk Reserve Account:

The primary purpose of this reserve account is to provide for future death benefit payments in excess of those covered by the deceased members full benefit. The following transactions are recorded in this account:

Credits:

- Contributions paid to the Fund by each employer towards the members risk benefit of Rule 22(2);
- Any transfers to the members account in terms of Rule 24A;
- Payments by a registered insurer with whom the Fund has effected a group life assurance policy on the lives of members; and
- Investment earnings transferred from the Investment Reserve Account.

Debits:

- Payments of premiums to registered insurers with whom the Fund has effected a group life assurance policy on the lives of members;
- Transfers to members account in terms of rule 24A of the rules of the Fund (only Category A members excess of risk benefit above full share of funds); and
- Expenses.

Investment Reserve Account:

- The purpose of this reserve account is to manage fluctuations in the market value of the Fund's investments and to facilitate transfers of assets to other accounts. This account is also intended to meet expenses related to the management and administration of the fund and to meet any other unforeseen contingencies; and
- It will be used to provide investment declarations to the other accounts.

The following transactions are recorded in this account:

Credits:

- All interest, dividends, rentals received and other revenue and capital appreciation or depreciation of assets of the Fund.

Debits:

- Investment declarations to all accounts; and
- Payment of expenses.

2. INVESTMENTS**2.1 Investment Strategy**

The primary investment objective of the Fund is to earn a net investment return which exceeds inflation as measured by the Consumer Price Index (CPI) by at least 4.5% per annum over any rolling 3-year period. This return must be earned in such a way that members benefits are not adversely affected by the market conditions ruling at the time of his/her exit. This implies that investment returns should not exhibit undue volatility from one year to the next.

A further investment objective of the Fund is to promote financial inclusivity and further socio-economic imperatives through investing with black asset management firms as well as investing in developmental assets. This aligns the Fund to the broader objectives of the country to promote transformation and provide patient capital towards benefiting the lives of Fund members.

With these objectives in mind, the board of trustees has formulated an investment strategy whereby approximately 40% of the Fund's assets are invested in a core portfolio with a focus on capital protection. The balance of the Fund's assets is invested somewhat more aggressively in a market-linked portfolio, where specialist investment managers are used for each asset class. The investment strategy of the Fund complies with the provisions of regulation 28 of the Pension Funds Act.

Core Portfolio

Strategic weighting in overall portfolio: 40%.

The Core Portfolio aims to provide a return of CPI + 4.5% over the long-term whilst providing protection of capital over the short-term. This is achieved through investing majority of the Core Portfolio's assets into guaranteed portfolios. Exposure to unlisted assets and developmental assets is also housed in the Core Portfolio in line with the lower volatility of returns of these investments. The Core Portfolio should reduce short-term volatility and smooth the overall investment return earned by the overall Fund.

Market-Linked Portfolio

Strategic weighting in overall portfolio: 60%.

This is a multi-asset class portfolio that is optimally constructed to deliver the target return of CPI+4.5%. In order to achieve this target return the portfolio is constructed through diversified exposure to different sources of return:

- Geography
- Asset class
- Investment manager
- Investment strategy and style

REPORT OF THE BOARD OF FUND (continued)

for the year ended 31 December 2017

Weightings to the different sources of return are determined using asset allocation analysis and risk budgeting. Asset allocation analysis is conducted to determine the optimal mix of asset classes best suited to deliver the expected return. Risk budgeting is used to ensure that we are rewarded for every unit of risk that we accept. Specialist investment managers are selected within each asset class following a thorough due diligence and selection process and given appropriate asset class benchmarks to beat. The Market Linked Portfolio will display short-term volatility but has a higher probability of delivering out performance over the long-term than the Core Portfolio.

Strategic asset allocation of the Market-Linked Portfolio:

Asset class	Strategic allocation midpoint	Range
Domestic Equities	40%	30% – 50%
Domestic Fixed Income	25%	15% – 35%
Global	25%	15% – 35%

Any cash flows available for investment and/or disinvestment for purposes of benefit or expense payments, will be directed in such a way so as to maintain the asset allocation of the Fund's investments as close to the strategic asset allocation of the Market Linked Portfolio as shown in the table above. The Trustees have adopted a cash flow and disinvestment policy which is followed when cash flows occur.

Overall Fund Exposure:

The table below sets out the investment manager allocation at total Fund level as at 31 December 2016:

Core Portfolio:

Asset Class	Asset Manager Portfolio	Weighting in Overall Fund
Guaranteed Portfolios		
	Old Mutual Absolute Stable Growth Fund	26.94%
	Sanlam Stable Bonus Fund	5.94%
	Momentum Smooth Growth	7.98%
Unlisted Assets		
	Ashburton Private Equity Fund 1	0.48%
	Vantage Mezzanine III	0.24%
Total Core Portfolio		41.58%

Market-Linked Portfolio:

Asset Class

Asset Manager Portfolio	Weighting in Overall Fund
	%
South Africa: Equities	
Afena SA Equity Fund	3.86
Argon SA Equity Fund	6.99
Coronation Aggressive Equity Fund	6.98
Kagiso Managed Equity Fund	5.08
Legacy Africa Equity Fund	0.36
Mergence Equity Fund	5.13
Mianzo Enhanced Equity Fund	0.95
Community Growth Equity Fund	0.06
South Africa: Fixed Income	
Aluwani Capital SA Bond Fund	6.04
Balondolozzi SA Bond Fund	0.84
Prowess Mineworkers Corporate Bond	0.45
Prudential SA Bond Fund	2.02
Stanlib Aggressive Income Fund	4.62
Community Growth Gilt Fund	0.57
South Africa: Cash	
Investec Money Market Fund	1.20
Global: Equities	
Investec Global Franchise Fund	1.79
Allan Gray Orbis Institutional Global	8.30
SEI Global Select Equity Fund	3.18
Total Market-Linked Portfolio	58.42
Total asset allocation	100.00

Unclaimed benefits

The investment strategy for unclaimed benefits is the same as per the general investment strategy of the Fund.

Reserve accounts

The investment strategy for the reserve accounts is the same as the general investment strategy of the Fund.

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2.2 Management of investments

The Board of Trustees meets on a formal basis at least four times a year in relation to the investments of the Fund and monitors the performance of the Fund's investments on a quarterly basis. The Fund has a separate investment sub-committee that meets once every three months to monitor the investments of the Fund.

The fair value of the Fund's investment, administered by the investment administrators at the end of the year was:

	31 December 2017 R	31 December 2016 R
*Old Mutual Life Assurance Company (South Africa) Ltd	8 077 336 724	7 508 043 111
*Aluwani Capital Partners	1 811 043 802	1 633 923 189
*Old Mutual Asset Managers Company (SA) (Pty) Ltd (Community Growth Management Company Ltd)	190 177 059	493 805 861
Coronation Asset Management (Pty) Ltd	2 093 267 845	1 945 623 677
Prudential Portfolio Managers (South Africa) (Pty) Ltd	606 324 159	549 421 560
Allan Gray Ltd (Orbis Investment Management)	2 489 455 625	2 158 904 085
*Investec Asset Management (Pty) Ltd	359 190 806	1 038 179 729
Argon Asset Management (Pty) Ltd	2 096 185 807	1 995 836 512
Afena Capital (Pty) Ltd	1 158 265 962	1 022 574 403
Kagiso Asset Management (Pty) Ltd	1 524 332 529	1 366 545 868
*Momentum Group Limited	2 392 707 816	2 238 159 208
Sanlam Life Insurance Ltd	1 781 811 189	1 650 253 653
Mergence Investment Managers (Pty) Ltd	1 536 824 012	1 426 187 087
STANLIB Asset Management Limited	1 386 031 328	1 190 946 986
Mianzo Asset Management (Pty) Ltd	284 769 632	246 596 059
Prowess Investment Managers (Pty) Ltd	134 610 310	122 422 680
Balondolozzi Investment Services	250 851 759	115 121 469
Ashburton Investments	135 439 000	108 815 204
Vantage Capital	71 214 241	59 805 860
SEI Investments South Africa (Pty)Ltd	949 235 998	906 141 896
*Investec Global Strategy Fund	538 000 146	475 019 932
Legacy Africa Fund Managers	108 251 320	95 284 103
Total value of investments managed	29 975 327 069	28 347 612 132

* These Investment Managers have been listed twice to show their asset values separately due to their specific mandates.

3. MEMBERSHIP

	Active members	Advised benefits < 2 yrs	Beneficiaries	Unclaimed benefits
Number at the beginning of year	100 645	2 739	6 022	76 512
Adjustments	(8 058)	5 560	–	(677)
– Disability benefits	(1 470)	(621)	–	–
– Adjustments	(917)	510	–	–
– Transfers to advised < years	(5 671)	5 671	–	(677)
Additions	3 780	–	–	964
Transfers in	6	–	–	–
Transfers out	(32)	(215)	–	–
Withdrawals	(1 222)	(520)	–	–
Retirements	(470)	(256)	–	–
Retrenchments	(3 154)	(793)	–	–
Deaths	(103)	(297)	–	–
Transfers (from)/to deferred pensioners	(967)	–	5 901	(4 934)
Unclaimed benefits paid	–	–	–	(4 811)
Number at the end of the year	90 425	6 218	11 923	67 054
Number at end of year (South African citizen)	90 425	6 218	11 923	67 054

The above adjustments of (8 058) under active members consist of (1 470) disability benefits and (917) adjustments relating to re-classification, transfers of (5 671) current year exits to the less than two years listing. The adjustments of 5 560 under advised benefits < 2 years consist of (621) disability members and an adjustment of 510 members, transfer of 5 671 from current year exits. The movement of 4 934 members from the unclaimed benefit member listing to the beneficiaries listing is the re-allocation after data clean up project. The amount under beneficiaries of 5 901 is 4 934 from unclaimed members and 967 from active member listing.

The advised benefits are members where an exit confirmation has been received, but the claim has not been finalised and paid. Following the Fund's data clean up exercise, this resulted in changes in the re-classifications of member records.

4. ACTUARIAL VALUATION

The financial statements summarise the transactions and net assets of the Fund. They do not take account of liabilities to pay benefits in the future. In accordance with the rules of the Fund, the financial condition of the Fund is reviewed at the end of every calendar year, or shorter intervals as the board of trustees decide. Monthly asset liability matching is now performed. The last tri-annual statutory valuation, as required by section 16 of the Pension Funds Act, was performed as at 31 December 2015 and the actuary reported that the Fund was in a sound financial position. It was submitted to the Financial Services Board on the 15 December 2016 and accepted on 10 February 2017. The valuator's report on page 101 gives the final results of the 31 December 2015 valuation.

5. SURPLUS APPORTIONMENT

The Fund submitted a nil surplus scheme as at the Fund's surplus apportionment date which was 31 December 2009. The Board of trustees resolved on 19 March 2010 to distribute any future surplus where it arose. The trustees resolved to distribute 100% of future surplus together with interest on an equitable basis in consultation with the actuary. The future surplus payable to the affected members shall be paid after deducting tracing and administration costs.

6. HOUSING LOAN FACILITIES

The Fund does not grant direct housing loans. As from 1 September 1996 the trustees decided to assist members with housing loans by using a portion of the benefit in the Fund as security in terms of rule 31(10) of the rules of the Fund and section 19(5) of the Pension Funds Act in South Africa. The Board of Trustees approved Standard Bank of South Africa Limited, Ubank, ABSA Bank Limited and Lemas Financial Services Limited to participate in the Housing Loan Guarantee Scheme. Refer to note 4 in the notes to the annual financial statements for details of the guarantees provided.

REPORT OF THE BOARD OF FUND (continued)

for the year ended 31 December 2017

7. INVESTMENTS IN PARTICIPATING EMPLOYERS

Details of investments in participating employers are provided in note 3.2 of the notes to the annual financial statements. The investments represent 4.59% of the total investments at 31 December 2017 and no exemption is required from the Registrar of Pension Funds in terms of Section 19(4) of the Pension Funds Act in South Africa.

8. SUBSEQUENT EVENTS

The Fund has made the following appointments in 2017:

Mrs Reitumetse Molobi as the new Chief Finance Officer effective 1 January 2018. Mr Sanele Nyoka, the Chief Operation Officer, resigned on 16 January 2018.

9. SIGNIFICANT MATTERS – Regulation 28

Regulation 28 of the regulation made under Section 36 of the Pension Funds Act was completely revised and promulgated through Government Gazette notice No. R.183 of 4 March 2011.

Board notice 1 issued on 10 June 2011 provided a transition period for the implementation of Regulation 28 from 1 July 2011 to 31 December 2011.

Board notice 3 of 2011, applicable to all funds with financial year-ends on or after 31 July 2011, was issued by the Financial Services Board on 19 December 2011 to stipulate the financial reporting requirements of the new Regulation 28.

Regulation 28(8) allows for the exemption from disclosing insurance policies on a look through basis but in these instances, the auditors of the insurers need to provide an audit report that insurance policies are in compliance with Regulation 28 requirements.

9.1 Compliance with laws and regulations

The independent auditors of Mineworkers Provident Fund (“Fund”) raised a reportable irregularity in terms of Section 45 of the Auditing Profession Act in relation to the matter described below.

The executives of the Fund failed to deduct outstanding loans from the benefits payable to members when members were exiting the Fund as per the requirements of section 19(5) of the Pension Funds Act, No.24 of 1956. As a result, the Fund is liable for the outstanding amounts under guarantees furnished in respect of these members for the housing loans which were granted by various financial institution.

STATEMENT OF NET ASSETS AND FUNDS

as at 31 December 2017

	Notes	31 December 2017 R	31 December 2016 R
ASSETS			
Non-current assets			
Property, plant and equipment	2	31 127 454	50 333 060
Investments	3	29 975 327 069	28 347 612 132
Current assets			
Accounts receivable	5	351 230 966	47 854 082
Contributions receivable	11	125 925 744	148 506 304
Cash and cash equivalents		103 613 423	195 390 320
Total assets		30 587 224 656	28 789 695 898
FUNDS AND LIABILITIES			
Members' funds and reserve accounts			
Members' individual accounts	19	20 635 611 300	20 176 554 680
Amounts to be allocated	20	(74 296 005)	(34 981 265)
Reserves			
Reserve accounts	19	3 994 518 047	3 717 783 337
Total funds and reserves		24 555 833 342	23 859 356 752
Non-current liabilities			
Provisions	15	3 813 579	3 739 247
Unclaimed benefits	9	4 080 698 595	3 980 035 134
Current liabilities			
Transfers payable	7	11 684 418	11 532 125
Benefits payable	8	1 878 283 593	876 025 488
Accounts payable	10	56 911 129	59 007 152
Total funds and liabilities		30 587 224 656	28 789 695 898

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STATEMENT OF CHANGES IN NET ASSETS AND FUNDS

as at 31 December 2017

	Notes	Members' individual accounts and amounts to be allocated R	Reserve accounts (Refer to note 19) R	Total current year 2017 R	Total previous year 2016 R
Contributions received and accrued	11	1 589 884 779	675 043 903	2 264 928 682	2 152 465 939
Reinsurance proceeds		–	166 157 488	166 157 488	232 851 757
Net investment income	12	–	2 967 903 075	2 967 903 075	2 235 352 015
Allocated to unclaimed benefits	9	–	(419 156 255)	(419 156 255)	(322 202 329)
Other income	13	–	(821 489)	(821 489)	33 379 993
Less:		–	(586 698 197)	(586 698 197)	(528 842 166)
Re-insurance premiums		–	(468 323 358)	(468 323 358)	(437 871 940)
Administration expenses	14	–	(118 374 839)	(118 374 839)	(90 970 226)
Net income before transfers and benefits		1 589 884 779	2 802 428 525	4 392 313 304	3 803 005 209
Transfers and benefits		(3 464 467 759)	231 368 955	(3 695 836 714)	(2 081 657 186)
Transfer from other funds	6	1 839 885	–	1 839 885	109 082
Transfer to other funds	7	(43 133 709)	–	(43 133 709)	(3 979 063)
Benefits	8	(3 423 173 935)	(231 368 955)	(3 654 542 890)	(2 077 787 205)
Net income after transfers and benefits		(1 874 582 980)	2 571 059 570	696 476 590	1 721 348 023
Funds and reserves					
Balance at the beginning of the year	19	20 141 573 415	3 717 783 337	23 859 356 752	22 290 251 070
Transfers between reserve accounts	19	2 361 295 220	(2 361 295 220)	–	(152 242 341)
Transfer between reserve accounts					
Member surplus account					
Member administration fees		(66 970 360)	66 970 360	–	–
Balance at the end of the year		20 561 315 295	3 994 518 047	24 555 833 342	23 859 356 752

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

as at 31 December 2017

1. PRINCIPAL ACCOUNTING POLICIES

The following are the principal accounting policies used by the Fund. These policies have been applied consistently to all years presented, unless otherwise specifically stated:

1.1 Purpose and basis of preparation of annual financial statements

The annual financial statements are prepared in accordance with the Regulatory Reporting Requirements for Retirement Funds in South Africa, the rules of the Fund and the provisions of the Pension Funds Act.

The annual financial statements are prepared on the historical cost and going concern bases, except where specifically indicated otherwise in the accounting policies below:

1.1 Property, plant and equipment

All plant and equipment are initially recorded at cost. Land and buildings are subsequently shown at market value, based on triennial valuations by external independent valuers, less subsequent depreciation. The remaining plant and equipment is stated at historical cost less depreciation. Increases in the carrying amount arising on revaluation are credited to the revaluation reserve.

Decreases that offset previous Increases of the same asset are charged against the revaluation reserve; all other decreases are charged to the income statement. Each period the difference between depreciation based on the revalued carrying amount of the assets (the depreciation charged to the Statement of Changes in Net Assets and Funds) and depreciation based on the asset's original cost is transferred from the revaluation reserve to accumulated funds.

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

Buildings	50 years
Leasehold improvements	Period of lease
Furniture and fittings	3 – 8 years
Office equipment	3 – 8 years
Computer equipment and software	2 – 5 years
Motor Vehicle	5 years

Land is not depreciated as it is deemed to have an indefinite life.

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

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

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

Accounting policy for land and buildings

After recognition as asset, an item of property, plant and equipment whose fair value can be measured reliably shall be carried as a revalued amount, being its fair value at the date of the revaluation. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that would be determined using fair value at the balance sheet date. Building valuations will be done yearly this valuation will be used for investment purposes.

1.2 Measurement

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2017

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

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

1.2.1 Investments

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

Loans (other than housing loans) – loans and receivables

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

Debentures

Debentures comprise investments in listed and unlisted debentures.

Listed debentures

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

Unlisted debentures

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

Bills and bonds

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

Listed bills and bonds

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

Unlisted bills and bonds

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

A property held for long-term yields or capital appreciation that is not occupied by the Fund is classified as investment property. Investment properties comprise investments in commercial properties, residual properties, industrial properties and hospitals. Investment properties are carried at fair value.

Investment properties are reflected at valuation on the basis of open-market fair value at the statement of net assets and funds date. In the open-market valuation information cannot be reliably determined; the Fund uses alternative valuation method such as discounted cash flow projections or recent prices on active markets for transactions of similar nature. The fair values are the estimated amounts for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction.

The open-market fair value is determined annually by independent professional valuers.

Changes in fair value are recorded by the Fund in the statement of changes in net assets and funds.

Equities

Equity instruments consist of equities with primary listing on the Johannesburg Stock Exchange, equities with secondary listing on the Johannesburg Stock Exchange, foreign listed equities and unlisted equities.

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

Listed equities

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

Unlisted equities

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

Preference shares listed preference shares

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

Unlisted preference shares

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

Insurance policies

Non-linked insurance policies

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

Linked or market-related policies

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

Collective investment scheme

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

Investment in participating employers

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

1.2.2 Housing loans

Housing loans are measured at fair value. Housing loans are derecognised when the right to receive cash flows from the member has expired or been transferred and the Fund has also transferred substantially all risks and rewards of ownership.

1.2.3 Accounts receivable

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

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for the year ended 31 December 2017

1.2.4 Cash and cash equivalents

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

1.2.5 Accounts payable

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

1.3 Reserves

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

1.4 Provisions, contingent liabilities and contingent assets

Provisions

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

Contingent liabilities

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

Contingent assets

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

1.5 Contributions

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

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

Voluntary contributions are recognised when they are received from annual payments or accrued where monthly recurring payments are made.

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

Contributions transferred from surplus accounts

Contributions transferred from surplus accounts include any contributions that are funded from the surplus accounts and relates to contribution holiday after surplus apportionment has been approved and the corresponding approval of the utilisation of the employer and member surplus accounts.

Interest charged on late payment of contributions

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

1.2 Foreign currencies

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

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

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

1.6 Investment income

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

Dividends

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

Interest

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

Collective investment schemes' distribution

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

Income from policies with insurance companies

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

Adjustment to fair value

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

Expenses incurred in managing investments

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

1.7 Benefits

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

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

Reinsurance proceeds

Reinsurance proceeds are measured at the fair value of the consideration received or receivable and are accrued and recognised as income at the same time as the recognition of the related claim.

1.3 Transfers to and from the Fund

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2017

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

1.8 Administration expenses

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

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

1.9 Related parties

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

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

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

1.10 Accounting policies, changing in accounting estimates and errors

The Fund applies adjustments arising from changes in accounting policies and errors prospectively. The adjustment relating to a change in the accounting policy or error is therefore recognised in the current and future years affected by the change.

1.11 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement/agreement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset(s) or the arrangement conveys a right to use the asset(s), even if that right is not explicitly specified in the arrangement.

Operating lease payments made by the Fund are recognised as an administration expense on a straight line basis over the lease term in the Statement of Changes in Net Assets and Funds.

2. PROPERTY, PLANT AND EQUIPMENT

2.1 Current year

	Motor vehicle R	Computer equipment and software R	Office equipment R	Furniture and fittings R	Land and buildings R	Total R
Gross carrying amount						
At beginning of the year	–	5 293 900	1 177 456	4 547 769	48 500 000	59 519 125
Additions	696 510	2 583 579	95 894	66 506	–	3 442 489
At end of year	696 510	7 877 479	1 273 350	4 614 275	48 500 000	62 961 614
Accumulated depreciation and impairment						
At beginning of year	–	(3 754 432)	(1 000 650)	(4 430 983)	–	(9 186 065)
Depreciation charges	(11 609)	(1 207 856)	(139 023)	(89 607)	–	(1 448 095)
Re-valuation loss	–	–	–	–	(21 200 000)	(21 200 000)
At end of year	(11 609)	(4 962 288)	(1 139 673)	(4 520 590)	(21 200 000)	(31 834 160)
Net carrying amount at end of year	684 901	2 915 191	133 677	93 685	27 300 000	31 127 454

2.2 Prior year

	Motor vehicle R	Computer equipment and software R	Office equipment R	Furniture and fittings R	Land and buildings R	Total R
Gross carrying amount						
At beginning of the year	119 984	3 745 721	1 078 071	2 429 377	–	7 373 153
Additions	–	1 548 179	99 385	2 118 392	48 500 000	52 265 956
Disposals	(119 984)	–	–	–	–	(119 984)
At end of year	–	5 293 900	1 177 456	4 547 769	48 500 000	59 519 125
Accumulated depreciation and impairment						
At beginning of year	(119 984)	(3 083 354)	(829 644)	(2 334 468)	–	(6 367 450)
Depreciation charges	–	(671 078)	(171 006)	(2 096 515)	–	(2 938 599)
Accumulated depreciation on disposals	119 984	–	–	–	–	119 984
At end of year	–	(3 754 432)	(1 000 650)	(4 430 983)	–	(9 186 065)
Net carrying amount at end of period	–	1 539 468	176 806	116 786	48 500 000	50 333 060

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2017

3. INVESTMENTS

3.1 Investment summary

Note	Local		Foreign		Total current year		Total previous year		Fair value current year		Categorised per IAS 39
	R	R	R	R	R	R	R	R	R		
Cash	634 135 024		381 897 545		1 016 032 569		840 941 999		1 016 032 569		At fair value through statement of changes in net assets and funds
Debt instruments including Islamic debt instruments	3 245 797 822		25 191 199		3 270 989 021		3 283 841 987		3 270 989 021		At fair value through statement of changes in net assets and funds
Equities (including demutualisation shares)	6 592 369 761		1 386 749 947		7 979 119 708		7 877 855 938		7 979 119 708		At fair value through statement of changes in net assets and funds
Insurance policies*	12 248 785 538		3 070 193		12 251 855 731		11 396 455 972		12 251 855 731		At fair value through statement of changes in net assets and funds
Collective investment schemes	4 427 321 215		-		4 427 321 215		4 033 871 773		4 427 321 215		At fair value through statement of changes in net assets and funds
Hedge funds	(7 093 320)		-		(7 093 320)		(200 831)		(7 093 320)		At fair value through statement of changes in net assets and funds
Private equity funds	179 192 646		27 460 594		206 653 240		168 621 062		206 653 240		At fair value through statement of changes in net assets and funds
Investment in participating employer(s)	798 067 324		-		798 067 324		713 854 256		798 067 324		At fair value through statement of changes in net assets and funds
Other	31 316 306		1 065 275		32 381 581		32 369 976		32 381 581		At fair value through statement of changes in net assets and funds
Total	28 149 892 316		1 825 434 753		29 975 327 069		28 347 612 132		29 975 327 069		

*Included in non-linked insurance policies are non-vested bonuses amounting to R974 013 186 (2016: R867 885 008).

The guaranteed value of these policies as at 31 December 2017 is R12 251 855 731 (2016: R10 528 570 964).

3.2 Investment in participating employer/s

	At beginning of year R	Additions R	Repaid/ Disposal R	Interest capitalised R	At end of year R
Debt Instruments including Islamic debt	22 222 736	10 229 037	(17 302 165)	66 674	15 216 282
Participating employer/s:					
Anglo American plc	185 510 443	81 216 575	(68 565 931)	70 889 441	269 050 528
Anglo American Platinum	55 229 166	30 234 066	(24 495 443)	6 100 892	67 068 681
AngloGold Ashanti Limited	53 358 293	32 218 187	(12 032 459)	(10 475 204)	63 068 817
Bhp Billiton plc	78 739 452	–	(78 739 452)	–	–
Gold Fields Mining Limited	10 309 296	5 128 842	(12 515 162)	4 078 809	7 001 785
Exxaro Resources Limited	86 709 928	23 080 746	(58 312 898)	56 015 487	107 493 263
African Rainbow Minerals	63 193 366	17 841 899	(33 017 431)	32 774 241	80 792 075
Sibanye Gold Limited	13 764 858	6 653 144	(8 829 339)	3 952 335	15 540 998
Glencore Xstarte plc	26 632 293	3 481 921	(12 123 037)	7 444 024	25 435 201
Northam Platinum Limited	116 713 915	10 875 807	(26 062 728)	38 320 607	139 847 601
SOUTH32 Limited	708 240	19 981 733	(21 296 679)	5 226 660	4 619 954
Harmony Gold Mine	762 270	2 729 589	–	(559 720)	2 932 139
Total	713 854 256	243 671 546	(373 292 724)	213 834 246	798 067 324

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2017

4. HOUSING LOAN FACILITIES

4.1 Housing loan guarantees

The Fund has granted guarantees to The Standard Bank of SA Limited (value of loans R16 615 909) for loans granted to 237 members. A guarantee amounting to R20 000 000 is renewable on 28 February 2018.

The Fund has granted guarantees to Ubank (value of loans R4 780 152) for loans granted to 377 members. The guarantee amount is limited and the facility does not require renewal. The Fund terminated the housing loan facility effective 5 January 2015 for new applications.

The Fund has granted guarantees to ABSA Pension Powered Home Loans (value of loans R64 266 387) for loans granted to 1 567 members. The guarantee is not renewable as the product was discontinued.

The Fund entered into an agreement with a new housing loan service provider IEMAS Financial Services effective May 2017, the value of the loans granted is (R24 754 087), (233) loans granted. The total facility is (R25 524 994) expiring date 31 August 2018. The amount of the guarantee may not exceed 60% of an amount paid to the member's withdrawal benefit on the date of the loan application being made (For ABSA loans guarantee will be 60% or 30% depending on the age).

5. ACCOUNTS RECEIVABLE

	31 December 2017 R	31 December 2016 R
Reinsurance proceeds	24 801 779	11 564 987
Staff expenses – study loans	105 638	150 874
Prepaid expenses	–	1 036 351
Vehicle running expense – lease provision	–	630
Rent – lease provision	–	384 103
Grindrod Bank interest	–	1 222 930
Fidelity Guarantee Insurance	1 885 437	–
Contributions late payment interest	141 172	141 570
Balondozi Asset Manager disinvestment	232 000 000	–
Fnb Forex – Community Growth Disinvestment	59 028 130	–
Traveling refunds – Reef Hotel	17 501	–
Financial Services Board Levies	997 756	–
Sentinel Mining Industry Retirement Fund	–	1 170 899
Staff expenses – savings account	253 553	165 340
Momentum risk profit share	32 000 000	32 000 000
Fairheads rental income	–	16 398
Total	351 230 966	47 854 082

The Fund has earned income of R32 million in 2016 from the profit share arrangement with Momentum. This has now vested but will only be payable in 2018. This amount was payable to the Fund on 31 December each year. In 2016, an amount of R1 170 899 was paid in error for Section 14 transfers out to Sentinel Pension Fund.

6. TRANSFERS FROM OTHER FUNDS

	Effective date	No. of members	A At beginning of year R	B Transfers approved R	C Return on transfers R	D Assets transferred R	A+B+C-D At end of year R
In terms of Section 14							
Exxaro Provident Fund	01/01/2015	–	–	431 472	73 167	(504 639)	–
Exxaro Pension Fund	01/01/2015	1	–	317 497	53 799	(371 296)	–
Exxaro Provident Fund	01/05/2015	–	–	54 339	5 179	(59 518)	–
Exxaro Pension Fund	01/05/2015	1	–	30 655	2 951	(33 606)	–
Exxaro Provident Fund	01/12/2015	–	–	148 484	12 021	(160 505)	–
Exxaro Pension Fund	01/12/2015	3	–	83 568	6 899	(90 467)	–
Exxaro Provident Fund	01/12/2015	–	–	55 666	12 742	(68 408)	–
Exxaro Pension Fund	01/12/2015	1	–	31 339	7 110	(38 449)	–
FundsatWork (Provident Fund)	01/03/2014	1	–	116 580	23 791	(140 371)	–
Exxaro Provident Fund	01/03/2017	–	–	79 857	9240	(89 097)	–
Exxaro Pension Fund	01/03/2017	1	–	56 839	1 465	(58 304)	–
Sasol Coal Provident Fund	30/11/2013	23	–	–	225 225	(225 225)	–
Total		31	–	1 406 296	433 589	(1 839 885)	–
Transfers approved (B)							1 406 296
Return on transfers (C)							433 589
Statement of changes in net assets and funds							1 839 885

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2017

7. TRANSFERS TO OTHER FUNDS

Effective date	In terms of Section 14	No. of members	Applied for not yet approved (contingent)		A At beginning of year	B Transfers approved	C Return on transfers	D Assets transferred	A+B+C-D At end of year
			R	R					
10/11/2012	Mine Employees Pension Fund	66	-	226 906	157 081	(148 716)	(157 081)	78 190	
Various	Mine Employees Pension Fund (31/01/2012 to 31/08/2009)	3	-	107 294	107 294	(107 294)	(107 294)	-	
01/01/2006	Sentinel Mining Industry Retirement Fund	159	-	2 148 006	508 886	(2 147 696)	(508 886)	310	
06/01/2012	Sentinel Mining Industry Retirement Fund	223	-	235 525	22 479	2 616	(22 479)	238 141	
Various	Mine Employees Pension Fund (01/07/2012 to 01/09/2012)	37	-	1 362 497	345 435	(223 536)	(345 435)	1 138 961	
30/11/2011	NBC Umbrella Retirement Fund	1	-	130 475	-	15 724	146 199	-	
04/01/2012	Sentinel Mining Industry Retirement Fund	143	-	104 087	104 087	(104 087)	(104 087)	-	
Various	Sentinel Mining Industry Retirement Fund (Various dates as per application)	14	-	574 319	-	69 580	643 899	-	
Various	Sentinel Mining Industry Retirement Fund (Various dates as per application)	26	-	561 495	561 495	(561 495)	(561 495)	-	
Various	Sentinel Mining Industry Retirement Fund (Various dates as per application)	126	-	1 227 290	621 705	(548 439)	(621 705)	678 851	
01/01/2008	Sentinel Mining Industry Retirement Fund (Various dates as per application)	232	-	772 584	222 285	(155 943)	(222 285)	616 641	
Various	Old Mutual Superfund – Barberton	9	-	21 730	21 730	(21 730)	(21 730)	-	
Various	Sentinel Mining Industry Retirement Fund (Various dates as per application)	82	-	1 511 486	360 594	(614 119)	(360 594)	897 367	
Various	Sentinel Mining Industry Retirement Fund (Various dates as per application)	51	-	334 284	31 552	365 836	-	-	
Various	Sentinel Mining Industry Retirement Fund (Various dates as per application)	11	-	2 214 147	451 958	(409 369)	(2 256 736)	-	
12/12/2016	Sentinel Mining Industry Retirement Fund	1	-	699 042	9550	(708 592)	-	-	
01/11/2016	ARM Pension Fund	2	-	731 162	80 949	(812 111)	-	-	
01/01/2017	Sentinel Mining Industry Retirement Fund	4	-	822 191	28 632	(850 823)	-	-	
30/04/2016	Exxaro Provident Fund	12	-	879 747	133 129	-	1 012 876	-	
20/12/2016	Sentinel Mining Industry Retirement Fund	7	-	1 200 387	(3 678)	(1 196 709)	-	-	
01/10/2016	Sentinel Mining Industry Retirement Fund	3	-	1 294 836	59 584	(1 354 420)	-	-	
01/02/2017	Sentinel Mining Industry Retirement Fund	6	-	1 746 253	(16 574)	(1 729 679)	-	-	
Various	Old Mutual Superfund – Barberton (Various dates as per application)	27	-	1 811 399	182 202	(1 993 601)	-	-	

Effective date	No. of members	Applied for not yet approved (contingent)				B Transfers approved	C Return on transfers	D Assets transferred	A+B+C-D At end of year
		A At beginning of year	R	R	R				
Sentinel Mining Industry Retirement Fund (Various dates as per application)	35	4 108 016	843 233	4 951 249	-	-	-	-	
Sentinel Mining Industry Retirement Fund (Various dates as per application)	65	8 920 258	929 493	(9 561 448)	288 303	-	-	-	
Bulk Section 14 – see listing (Various dates as per application)	142	19 566 533	545 288	(19 484 226)	627 595	-	-	-	
Prospective approvals in terms of Section 14									
Sentinel Mining Industry Retirement Fund (Various dates as per application)	56	9 274 517	-	-	-	-	-	-	
Sentinel Mining Industry Retirement Fund (Various dates as per application)	61	10 519 091	-	-	-	-	-	-	
Sentinel Mining Industry Retirement Fund (Various dates as per application)	70	10 070 148	-	-	-	-	-	-	
Old Mutual Superfund – Barberton	1	43 521	-	-	-	-	-	-	
Old Mutual Superfund – Barberton	1	489 889	-	-	-	-	-	-	

HOW WE PERFORMED IN 2017

WHO WE ARE

OUR OPERATING CONTEXT

OUR STRATEGY

HOW WE INVEST

OUR GOVERNING PRINCIPLES

HOW DID WE PERFORM FINANCIALLY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2017

Effective date	No. of members	Applied for not yet approved (contingent)		A		B		C		D		A+B+C-D	
		R	R	At beginning of year	Transfers approved	Return on transfers	Assets transferred	At end of year					
Sentinel Mining Industry Retirement Fund	2	498 212	-	-	-	-	-	-	-	-	-	-	-
Sentinel Mining Industry Retirement Fund	1	111 012	-	-	-	-	-	-	-	-	-	-	-
Sentinel Mining Industry Retirement Fund	1	340 369	-	-	-	-	-	-	-	-	-	-	-
Sentinel Mining Industry Retirement Fund	1	224 246	-	-	-	-	-	-	-	-	-	-	-
Sentinel Mining Industry Retirement Fund	1	179 747	-	-	-	-	-	-	-	-	-	-	-
Sentinel Mining Industry Retirement Fund	2	311 150	-	-	-	-	-	-	-	-	-	-	-
Sentinel Mining Industry Retirement Fund	1	139 410	-	-	-	-	-	-	-	-	-	-	-
Sentinel Mining Industry Retirement Fund	3	111 129	-	-	-	-	-	-	-	-	-	-	-
NBC Umbrella Retirement Fund	1	34 201	-	-	-	-	-	-	-	-	-	-	-
NBC Umbrella Retirement Fund	2	50 967	-	-	-	-	-	-	-	-	-	-	-
NBC Umbrella Retirement Fund	1	489 417	-	-	-	-	-	-	-	-	-	-	-
NBC Umbrella Retirement Fund	2	1 625 955	-	-	-	-	-	-	-	-	-	-	-
NBC Umbrella Retirement Fund	1	1 085 978	-	-	-	-	-	-	-	-	-	-	-
Sentinel Mining Industry Retirement Fund	1	289 330	-	-	-	-	-	-	-	-	-	-	-
Sentinel Mining Industry Retirement Fund	1	121 739	-	-	-	-	-	-	-	-	-	-	-
Sentinel Mining Industry Retirement Fund	1	149 643	-	-	-	-	-	-	-	-	-	-	-
Sentinel Mining Industry Retirement Fund	1	17 548	-	-	-	-	-	-	-	-	-	-	-
Sentinel Mining Industry Retirement Fund	3	870 981	-	-	-	-	-	-	-	-	-	-	-
Total	1 702	37 048 200	11 532 125	45 264 853	(2 131 144)	(42 981 416)	11 684 48						
Transfers approved (B)				45 264 853									
Return on transfers (C)													(2 131 144)
Statement of changes in net assets and funds													43 133 709

Ten largest transfers in value are listed above for Section 14 transfers approved. Refer to the listing provided for the bulk Section 14 disclosed above R19 566 533.

8. BENEFITS

8.1 Benefits to current members

	A At beginning of year R	B Benefits for current period R	C Return allocated R	D Payments R	E Transferred to unclaimed benefits R	A+B+C-D-E At end of year R
Lump sums on retirements						
- Full benefit	88 263 267	393 605 142	29 958 390	(347 223 663)	(2 356 693)	162 246 443
Lump sums before retirement						
- Disability benefits	133 328 058	743 056 680	51 161 260	(673 695 857)	(11 655 649)	242 194 492
- Death benefits	388 215 882	382 886 090	21 894 959	(263 505 335)	(126 463 819)	403 027 777
- Withdrawal benefits	55 548 120	256 829 602	17 083 818	(246 060 547)	(18 942 409)	64 458 584
- Retrenchment benefits	210 670 161	1 606 300 740	151 766 209	(959 502 248)	(2 878 565)	1 006 356 297
Total	876 025 488	3 382 678 254	271 864 636	(2 489 987 650)	(162 297 135)	1 878 283 593
Benefits for current year (B)						3 382 678 254
Return allocated (C)						271 864 636
Statement of changes in net assets and funds						3 654 542 890

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2017

9. UNCLAIMED BENEFITS

	31 December 2017 R	31 December 2016 R
Balance at the beginning of the year	3 980 035 134	3 756 932 613
Transferred from benefits payable	162 297 135	348 818 808
Investment income allocated	419 156 255	322 202 329
Less:		
– Benefits for the year	–	68 136 157
– Benefits paid	(484 274 957)	(516 054 773)
– Benefits for the year – Transfer from Section 14	3 485 028	–
Balance at the end of the year	4 080 698 595	3 980 035 134

10. ACCOUNTS PAYABLE

	31 December 2017 R	31 December 2016 R
Re-insurance premiums	40 308 150	49 823 063
South African Revenue Services – PAYE	9 108 187	3 065 277
Audit fees	1 279 033	1 595 817
IT-related expenses and licence fees	1 343 600	2 293 660
Staff remuneration	1 200	401 127
Trustee expenses	–	50 119
Investment consultancy fees	159 600	159 600
Consultancy fees	34 423	27 588
Printing and stationery	192 442	207 974
Actuarial fees	621 952	623 044
Telephone and postage	64 739	5 164
Legal expenses	91 200	216 315
Principal officer expenses	–	1 511
Other payables	1 390 227	–
Bank charges	–	3 826
Staff travel and related expenses	29 891	48 184
Payroll expenses	17 072	30 445
Cleaning services	15 320	46 309
Rent and related expenses	438	4 960
Staff telephone expenses	1 500	4 750
Office maintenance costs	–	248 974
Employer roadshow expenses	11 367	–
Property security expenses	–	20 646
Building maintenance costs	6 990	86 717
Office expenses (refreshments)	18 921	17 082
Mineworkers Birthday account	70 000	25 000
Fidelity Cover	1 885 438	–
Vehicle – Fuel and Maintenance	2 599	–
Training and Development (Trustees)	28 500	–
Independent Chairperson fees – Board	35 960	–
Contributions overpaid – various mine employers	175 592	–
Fixed asset expenses	16 788	–
Total	56 911 129	59 007 152

11. CONTRIBUTIONS

	At beginning of year R	Towards retirement R	Towards re-insurance and expenses R	Contributions received R	At end of year R
Member contributions received and accrued	46 229 587	684 574 731	–	(691 714 394)	39 089 924
Employer contributions received and accrued	101 449 979	892 291 182	675 043 903	(1 582 806 105)	85 978 959
Additional voluntary contributions members	826 738	13 018 866	–	(12 988 743)	856 861
Total	148 506 304	1 589 884 779	675 043 903	(2 287 509 242)	125 925 744
Towards retirement					1 589 884 779
Towards reinsurance and expenses					675 043 903
Statement of changes in net assets and funds					2 264 928 682

12. NET INVESTMENT INCOME

	31 December 2017 R	31 December 2016 R
Income from investments	1 611 724 306	1 578 429 881
– Dividends	279 437 725	261 344 546
– Interest	957 378 435	958 515 065
– Other income	32 428 900	10 168 519
– Collective Investment schemes distribution	43 371 197	35 014 827
– Income from insurance policies	299 108 049	313 386 924
Interest on late payment of contributions	22 611	25 708
Adjustment to fair value (1)	1 470 717 011	769 338 933
	3 082 463 928	2 347 794 522
Less: Expenses incurred in managing investments	(114 560 853)	(112 442 507)
Total	2 967 903 075	2 235 352 015

13. OTHER INCOME

	31 December 2017 R	31 December 2016 R
Momentum risk profit share	–	32 000 000
Lease of office space rental income	349 410	185 849
Profit on sale of fixed assets	–	23 245
Sentinel Mining Industry Retirement Fund	(1 170 899)	1 170 899
Total	(821 489)	33 379 993

The Fund has earned income of R32 million in 2016 from the profit share arrangement with Momentum. This has now vested but will only be payable in 2018. In 2016 an amount of R1 170 899 was raised in error and reversed in 2017.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2017

14. ADMINISTRATION EXPENSES

		31 December 2017 R	31 December 2016 R
Actuarial fees		959 996	1 084 727
Audit fees		1 278 074	1 799 032
Consultancy fees		7 743 592	2 255 046
Property security expenses		361 768	490 586
Depreciation		1 448 097	2 938 598
Fidelity insurance		1 559 763	1 416 262
FSB levies		2 034 107	2 694 409
Other expenses		46 209 777	27 669 810
– Bank charges		475 032	460 004
– Legal fees		859 762	564 838
– Postage and telephone		986 949	1 320 708
– Printing and stationery		1 174 554	1 048 853
– Tracing expenses		–	(35 960)
– Revaluation loss on building asset		21 200 000	–
– IT-related expenses and licences		18 165 445	1 568 126
– Recruitment expenses		937 198	45 600
– Other expenses		73 913	29 761
– Vehicle running expenses		283 726	356 790
– Independent chairperson fees – audit and risk		546 442	491 319
– Independent chairperson fees – board		191 760	168 453
– Benefit write-off account		(6 708 994)	1 097 113
– Investment consultants fees		1 573 200	1 728 240
– Travel – employer visit expenses		1 201 012	1 059 670
– Cleaning services		558 665	512 227
– Building maintenance costs		2 947 725	481 030
– Payroll management fees		211 016	206 070
– Office rental expenses		1 272 777	1 988 478
– VAT expense		–	22 331
– Insurance		259 595	443 029
Office expenses (refreshments)		110 808	113 630
Operating lease payments		3 486 759	4 003 391
Board of Fund expenses	14.1	1 039 593	1 190 711
Staff expenses	14.2	50 090 422	44 362 440
Principal Officer expenses	14.3	2 052 083	951 584
Total		118 374 839	90 970 226

14.1 Board of Fund expenses

		31 December 2017 R	31 December 2016 R
Meeting allowances		213 559	226 958
Travel expenses		607 695	661 961
Training and related expenses		218 339	301 792
Total		1 039 593	1 190 711

14.2 **Staff expenses**

	31 December 2017 R	31 December 2016 R
Staff expenses – Remuneration	43 188 916	38 047 379
Staff expenses – Contributions to retirement fund	5 083 570	4617152
Staff expenses – Training expenses	394 028	620 939
Staff expenses – Other payments	1 423 908	1 076 970
Total	50 090 422	44 362 440

14.3 **Principal Officer expenses**

	31 December 2017 R	31 December 2016 R
Principal officer expenses – Remuneration	1 978 800	912 803
Principal officer expenses – Allowances	73 283	38 781
Total	2 052 083	951 584

15. **FINANCIAL LIABILITIES**16. **RISK MANAGEMENT POLICIES****Risk management framework**

The Board of Fund has overall responsibility for the establishment and oversight of the Fund's risk management policies. The Board of Fund has established the Risk Management Committee, which is responsible for developing and monitoring the Fund's risk management policies. The committee reports regularly to the Board of Fund on its activities.

The Fund's risk management policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities.

- **Solvency risk**

Solvency risk is the risk that the investment returns on assets will not be sufficient to meet the funds contractual obligations to members.

Continuous monitoring by the Board and the Fund's actuary takes place to ensure that appropriate assets are held where the Fund's obligation to members are dependent upon the performance of specific portfolio assets and that a suitable match of assets exists for all other liabilities.

- **Credit risk**

Credit risk is the risk that a counter party to a financial instrument will fail to discharge an obligation, and cause the Fund to incur a financial loss.

The Board of Fund monitors receivable balances on an ongoing basis with the result that the Fund's exposure to bad debts is not significant. An appropriate level of provision is maintained.

Housing loan guarantees granted are secured by the after tax withdrawal benefit of the respective members on whose behalf the guarantees were granted. The amount of the guarantee may not exceed 60% of the Fund credit of the respective members. Housing loan guarantees granted are renewed annually to ensure that the general terms and conditions are still applicable.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2017

The Fund's assets are only invested through investment managers who are Financial Advisory and Intermediary Services compliant. The Fund's investment mandate stipulates that the investment manager should monitor the risks associated with the Fund's investments on a regular basis.

Credit risk is managed by the Fund's outsourced investment managers by investing in well-researched institutions and within the parameters of the investment mandate. The investment manager must report annually on the steps taken to identify and manage the credit risk, in terms of the Fund's Risk management policy.

- **Legal risk**

Legal risk is the risk that the Fund will be exposed to contractual obligations which have not been provided for. Legal representatives of the Fund monitor the drafting of contracts to ensure that rights and obligations of all parties are clearly set out.

- **Cash flow risk**

Cash flow risk is the risk that future cash flows associated with monetary financial instrument will fluctuate in amount. In the case of a floating rate debt instrument, for example, such fluctuations result in a change in the effective interest rate of the financial instrument, usually without a corresponding change in its fair value.

The Board of Fund monitors cash flows by using monthly cash flow projections.

- **Currency risk**

Currency risk is the risk that the value of an instrument will fluctuate in Rands owing to changes in foreign exchange rates. The Fund's exposure to currency risk is mainly in respect of foreign investments made on behalf of members of the Fund for the purpose of seeking desirable international diversification of investments.

The board of trustees monitors this aspect of the Fund's investments and limits it to 25% of total assets.

- **Liquidity risk**

Liquidity risk is the risk that the Fund will encounter difficulty in raising funds to meet commitments associated with financial instruments.

The Fund's liabilities are backed by appropriate assets and it has significant liquid resources.

As at 31 December 2017, the current liabilities of the Fund exceeded the current assets by R1,370 million (2016: R555 million). However, the Board of Fund has no reason to believe that the Fund will not be able to meet its obligations as they arise based on the assets invested as at 31 December 2017 of R29 975 327 069 (2016: R28 347 612 132) which will be available on a trade-plus-three basis.

- **Market risk**

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices of market interest rates.

- **Investments**

Investments in equities are valued at fair value and therefore susceptible to market fluctuations. Investments are managed with the aim of maximising the Fund's returns while limiting risk to acceptable levels within the framework of statutory requirements.

Continuous monitoring takes place to ensure that appropriate assets are held where the liabilities are dependent upon the performance of specific portfolios of assets and that a suitable match of assets exists for all non-market-related liabilities.

- **Price risk**

Price risk is the risk that the value and/ or future cash flows of a financial instrument will fluctuate as a result of changes in market prices.

- **Interest rate risk**

Interest rate risk is the risk that the value and /or future cash flows of financial instruments will fluctuate as a result of changes in interest rates. The Board of Fund monitors exposures to interest rate risk by using monthly cash flow projections.

17. RELATED PARTY TRANSACTIONS

The following transactions between the participating employer and the Fund occurred during the period.

Ubank Ltd is an affiliated organisation to the fund and has an agreement with the Fund. Ubank has issued loans to members of the Fund through a housing loan guarantee scheme to the value of R4 780 152 as at 31 December 2017. The Fund terminated the housing loan facility effective 5 January 2015 for new applications. Refer to note 4 of the annual financial statements.

The participating employers made contributions to the Fund for member's retirement and towards the Fund's re-insurance and expenses to the value of R892 291 182 and R675 043 903 respectively. (Refer note 11 of the notes to the annual financial statements).

The Fund holds investments in the participating employers to the value of R798 067 324 (refer note 3.2 of the notes to the annual financial statements).

18. OPERATING LEASE COMMITMENTS

	31 December 2017 R	31 December 2016 R
Within one year	3 398 387	1 535 877
Between two and five years	2 312 031	1 386 764
Total	5 710 418	2 922 641

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2017

19. RESERVES

	Members' funds R	Amounts to be allocated R	Reserve accounts total R	Investment reserve R	Risk reserve R
At beginning of year	20 176 554 680	(34 981 265)	3 717 783 337	1 226 405 733	2 491 377 604
Contributions received and accrued	1 589 884 779	–	675 043 903	–	675 043 903
Re-insurance proceeds	–	–	166 157 488	–	166 157 488
Net investment income	–	–	2 967 903 075	2 967 903 075	–
Allocated to unclaimed benefits	–	–	(419 156 255)	(419 156 255)	–
Other income:	–	–	821 489	821 489	–
– Sentinel Mining Industry Retirement Fund	–	–	(1 170 899)	(1 170 899)	–
– Lease of office space rental income	–	–	349 410	349 410	–
Less:	–	–	586 698 197	118 374 839	468 323 358
– Re-insurance premiums	–	–	(468 323 358)	–	(468 323 358)
– Administration costs	–	–	(118 374 839)	118 374 839	–
Net income before transfers and benefits	21 766 439 459	(34 981 265)	6 520 211 862	3 655 956 225	2 864 255 637
Transfers and benefits	(3 464 467 759)	–	(231 368 955)	–	(231 368 955)
– Transfers from other funds	1 839 885	–	–	–	–
– Transfers to other funds	(43 133 709)	–	–	–	–
– Benefits	(3 423 173 935)	–	(231 368 955)	–	(231 368 955)
Net income after transfers and benefits	18 301 971 700	(34 981 265)	6 288 842 907	3 655 956 225	2 632 886 682
Transfer between reserve accounts	2 400 609 960	34 981 265	(2 435 591 225)	(2 710 754 516)	275 163 291
Net investment return	–	(74 296 005)	74 296 005	297 787 569	(223 491 564)
Member administration fees	(66 970 360)	–	66 970 360	66 970 360	–
At end of year	20 635 611 300	(74 296 005)	3 994 518 047	1 309 959 638	2 684 558 409

20. AMOUNTS TO BE ALLOCATED

	31 December 2017 R	31 December 2016 R
Opening balance	(34 981 265)	(361 189 265)
Investment return allocated during the year	34 981 265	106 071 435
Other amounts to be allocated	(74 296 005)	220 136 565
Total amounts to be allocated	(74 296 005)	(34 981 265)

REPORT OF THE VALUATOR

for the year ended 31 December 2017

1. The last statutory actuarial valuation of the Fund was as at 31 December 2015 ("the statutory valuation date") and was completed by the previous valuator to the Fund. As at the statutory valuation date, the Fund was in a financially sound position with:
 - (a) Market value of net adjusted assets amounting to R27 170 986 000;
 - (b) Actuarial present value of Member Liabilities amounting to R23 521 191 000; and
 - (c) Contingency Reserves of R3 785 567 000.

2. Subsequent to the statutory actuarial valuation, an interim actuarial valuation was performed as at 31 December 2016. The market value of net adjusted assets amounted to R28 726 949 499.

3. The actuarial present value of Member Liabilities amounted to R25 043 124 100, comprising of:
 - (a) Members' Fund Credits R19 783 758 331
 - (b) Unallocated Contributions R148 506 304
 - (c) Benefits Due R5 110 859 465

4. The Contingency Reserves totaled R3 717 783 337, and were comprised as follows:
 - (a) Data Reserve R735 843 440
 - (b) Processing Error Reserve R490 562 293
 - (c) Risk Reserve R2 491377 604

5. A reduction of R33 957 938 in assets, due to negative investment returns, was not yet allocated to the Member Liabilities and Contingency Reserves. This is due to the lag in updating the unit price onto the administration system. These returns were subsequently allocated,

6. The assets of the Fund were more than sufficient to cover the Member Liabilities. Additionally, the assets of the Fund covered 100% of the Member Liabilities plus recommended Contingency Reserves, taking into account the reduction of R33 957 938 in assets that was yet to be allocated to Member Liabilities and Contingency Reserves.

7. As at the financial year ending 31 December 2017, the desired level of Contingency Reserves is estimated at R4 002 018 048, which is afforded by the accumulated value of the Contingency Reserves as a 31 December: 2016. Based on this, I therefore do not anticipate that the financial position of the Fund would have changed from the statutory and interim valuation dates.

Prepared by:

Ranti Mothapo

Valuator

Fellow of the Actuarial Society of South Africa

In my capacity as the valuator of the Fund and as a director of Moruba Consultants and Actuaries (Pty) Ltd.

Date: 15 May 2018

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